FISCAL YEAR 2007: ANNUAL REPORT

Office of Chief Financial Officer

December 2007

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Message from the Fund Manager

Last year we highlighted ten years of operations and many of the meaningful milestones and accomplishments achieved by the Fund and WCF Fund Board. During FY 2007, the focus shifted to internal process improvements and planned changes to Fund businesses, yielding benefits for FY 2009 and future periods. However, the Board has always recognized that innovation and improved services require decisions and investment today. This forward looking approach has resulted in a robust and stable DOE Working Capital Fund. Fund businesses have demonstrated the ability to consistently offer DOE programs flexible services to satisfy their changing needs at the same time they control costs.

Financial Summary

The financial condition of the Fund is sound. In this report, we discuss the FY 2007 results in terms of the measures that the Board has directed since 1999, and we also discuss the balance sheet of the Fund, the eleven-year history of earnings and costs, and results for each business. Costs and earnings have remained in balance, customers are paying their charges on schedule, the accounting system has improved our tools for managing balances, and business line managers have been prudent in their use of customer funds.

As Fund Manager and Board chair, I want to thank Bob Emond for his leadership in achieving these results, and I also want to than Kathy Schanck for her accounting support and Ronald Mayo for timely and accurate billing information.

I also want to thank the business line managers, Board members and customers for their fine cooperation. During FY 2007, the Board extended special thanks to Dick Tedrow, who organized and chaired the Dispute Resolution Council, which was notable for not having had to meet! As the Board meets in December, we will also be saying farewell to Jeff Rubenstein, who has been provided exemplary service to the Fund throughout its life.

The Year of the Working Group: FY 2007 was the year of the working group; seven in all. In the WCF policies and practices, working groups are created to bring suppliers and customers together to solve problems and bring options to the Board.

Beginning early in the fiscal year, the Board considered a change to streamline the process of collecting funding and charging program accounts in STARS using one Budget and Reporting Code per program. Next the board considered training for WCF program customers. Then, in response to an assignment from the Internal Operations group chaired by the Deputy Secretary, and in anticipation of the FY 2009 budget process, the Board formed working groups to consider adding items to the Building business, including Stairwell Safe Havens; incorporating further items from Administrative Services, including several that had been receiving customer financial support outside the Fund; providing for I-MANAGE System implementation; reinstating DCAA Audits as a Fund business; and implementation of the egov initiative **GoLearn**.

While some of these issues were uncomplicated, others presented working group members with thorny problems. Despite these challenges, the working groups persevered until they worked through out the difficulties and could propose workable options to the Board members. While not all of the changes that have resulted are welcome to all customers, we were gratified by the fine work of dozens of persons who focused on the department's corporate interests..

We will not know the full outcome of these decisions until FY 2009, and there remains some planning needed to fully incorporate these initiatives into the Fund. However, we recall that similar uncertainties existed when the Board approved funding for CHRIS and Payroll, building improvements, cell phones, project management training and other new business segments. Each one of these changes has resulted in more effective corporate operations at DOE.

The recent recommendation of the billing working group to streamline billing procedures has been a great success. The simplified billing procedure has resulted in billing efficiencies and significant improvement to internal controls. Staff resources have been reassigned to support business-line planning, updated procedures and policies, greater oversight of business-line operations, and training for programs customers and business-line managers.

Five-year Plans: Each business in the Fund is expected to develop a five-year plan, and these plans are posted on the WCF web page. We encourage you to read these plans. They are full of information about the respective business-lines, especially the factors that will impact their operations over the next five years and how they plan to continue their excellent service to DOE program offices. This year, for the first time, the Fund Manager rated the plans on six criteria in order to recognize the top performing plans; broadcast best practices; and share lessons learned. Twelve plans were evaluated this year, one for each business except Phone and Supplies[1]. In order to score the highest possible rating of 36; the business must demonstrate a high level of partnering with programs and the WCF Board.

The Building Occupancy Business Line scored the highest rating of 28 points. That plan scored a perfect 6 in both business line outlook and explaining the business to customers. Congratulations to the business-line manager, Michael Shincovich and his staff. All businesses scored low in economic analysis of cost factors, because this item has not been emphasized in the past. We will work on explaining the economic factors to the Board in future plans. The average score was 22.8; and the lowest score 14.

One Billion Dollars in Sales: In FY 2007 the Fund surpassed cumulative sales of $1 billion, and cumulated net retained earnings have been 1.3% of the cumulative sales.. Most of the retained earnings are earmarked for the telephone and network upgrades, and

[1] Supplies is outsourced and does not prepare a plan. Phone planning was in flux, pending a decision by the CIO on modernization.

building projects. The remainder of the net earnings provides working capital for business improvements and use during continuing resolutions.

New for FY 2008: In October 2007 the CIO began acquisitions that will lead to a digital Headquarters phone system, improved network capabilities, and eventually convergence of technologies. These improvements will replace obsolete equipment, improve security, and enhance our abilities during emergencies. The Associate CIO for Operations will address the Board with plans for this upgrade in the upcoming December Board meeting.

Beginning this year, the Fund will phase in payment for contractors in the Building business, as a result of the A-76 Logistics study. These payments will be fully phased in for the FY 2009 budget. The Mail business will also begin offering shuttle bus service between Forrestal and the Germantown locations, previously financed outside the Fund. Programs will be charged for individual trips.

At the end of last fiscal year, Bob Emond provided a customer training pilot to program representatives. Because the pilot was a success, Bob is planning on offering the training several times next year at both Forrestal and Germantown locations. You will be notified before the training occurs.

Internal Cost Analysis: *Quarterly and Annual Financial Reports*, the *Indirect Cost Analysis*, and the *WCF Benefit/Cost Analysis Update* are a series of annual reports by the Fund Manager which analyze business costs. These reports are prepared for the Working Capital Fund Board, the DOE Chief Financial Officer, and the DOE Inspector General. The Fund Manager also supports individual business-line ad hoc cost analyses and in addition to WCF Board working groups in their analyses of business segments during pricing policy reviews.

This year the Fund Manager conducted cost analyses that focused on fixed, variable, incremental, and unit costs; and the relationship between direct and indirect costs for WCF business-lines. We believe that this analysis will benefit business-line management, improve oversight, and provide better pricing policies that form the basis for program billing. A copy of this analysis will be available at www.wcf.doe.gov .

Financial Statements of the Working Capital Fund

Relation of Earnings to Expenses

The Fund experienced -$0.9 million in net earnings during FY 2007 on earnings of $107.2 million. Despite this loss, the fund has recorded cumulative net earnings of $12.9 million since FY 1997 or approximately 1.3% of earnings over the eleven year period, in line with Congressional and Departmental policies. The cumulative net earnings can be misleading and a discussion of cash assets along with other balance sheet items is covered in the Interpretation section below. Cash related to the building and phone businesses is discussed next. Taken together with the Network business, these businesses represent the greater part of the equity in the Fund. This capital has been accumulated in preparation of the upgrade and convergence of phone and network operations, which has been expected for several years.

Table I: FY 2007 Year End Business Results
(dollars in millions)

	Earnings	Expenses	Net Earnings FY 2007	Net Earnings FY 97 – 07
Supply	$ 3.1	$ 3.2	$ -0.1	$ -1.2
Mail	2.0	1.8	0.2	0.5
Copying	2.3	2.4	-0.1	0.8
Printing & Graphics	2.5	3.9	-1.4	0.1
Bldg Occupancy	69.5	71.0	-1.6	6.9
Phones	8.1	5.9	2.2	-6.2
Network	6.5	6.0	0.5	6.2
Procurement Mgt	0.7	1.0	-0.3	0.7
Payroll Services	2.1	2.0	0.1	2.0
CHRIS	2.2	1.4	0.7	1.8
Corp Training Srvs	0.3	0.3	0.0	0.1
PMCDP	1.0	2.1	-1.1	-0.1
STARS	4.0	5.0	-0.9	0.4
Internal Control	2.9	2.0	0.9	0.9
Total[1]	$ 107.2	$ 108.0	$ -0.9	$ 12.9

The cumulative net performance of the Building Occupancy and the Telephone businesses deserve further explanation. The net income in building does not represent a pure "profit", since $2.8 million in net earnings are committed to unfinished construction projects and cannot be redirected to other uses or refunded to customers. The Telephone Business Line was charged $9.3 million depreciation expense for the write-down in FY

[1] Numbers may not add due to rounding.

Business Line was charged $9.3 million depreciation expense for the write-down in FY 2002 of the value of physical assets that were transferred into the Fund at its inception in FY 1997. The reported cumulative loss of $6.2 million is a "book loss" caused by the accounting recognition of depreciation expenses without corresponding revenues to offset such costs. The write-off makes the asset life consistent with GSA guidance, and this has no adverse implications for the underlying, long-term financial stability and viability of the business. As discussed later in this report, we believe that $10.0 million has been accumulated for potential use in replacing the Telephone system.

Key factors explaining earnings/expense variations over $50,000 for FY 2007 follows:

The **Supply** business line earned a -$109,799 net income, due largely to the impact of under-accruing costs in FY 2006. The two fiscal years combined break even.

The **Mail** business line earned $182,325 net operating profit due to errors in contract administration. Costs associated with messenger service ($150,000) were incorrectly applied to the wrong bnrs. The business-line caught these errors too late to fix in FY 2007, so these costs will be corrected in FY 2008.

The **Copy** business line earned -$157,410 net earnings due to the failure to collect for paper usage in dedicated copiers and recover the cost of new dedicated copiers, approximately $250,000. The business will charge customers for these amounts after programs receive their FY 2008 appropriations. Otherwise the business would have experienced a slight profit.

The **Printing and Graphics** business line earned -$1,422,560 net earnings due to prior year costs. The business believes that the $1.2 million accrual recorded this month was excessive and is working with the Fund Manager to determine the accurate financial position of this business. This liability is offset by $1.5 million cumulative profit reported in FY 2006. We are confident that cash reserves in the business will be sufficient to satisfy any adjustments that will result from this analysis.

The **Building Occupancy** business line earned -$1,574,804 net income. This is due largely to costing completed projects where customers were billed in earlier fiscal years when the revenue was earned. Most of the $8.5 million cumulative net earnings in this business are being used to forward finance utility and maintenance contracts ($5.7 M). The balance of the net earnings are committed to construction projects ($2.8 M) and cannot be redirected to other uses or refunded to customers.

The **Telephone** business line earned $2,209,193 net operating profit due in part to reversing $1.3 million in network expenses that were recorded against the phone business, $0.7 million in depreciation billing to finance replacement equipment, and

$0.2 million one-time operating savings. Net earnings will finance capital requirements to replace the old phone system.

The **Network** business line earned $566,946 net operating profit due to operating efficiencies ($0.8 million) and depreciation billing ($0.3 million) offset by cost from a prior period ($0.5million). Operating efficiencies will help offset future capital costs when the phone and network businesses and technology are converged. This year the Desktop business was merged into Network increasing costs and revenues equally by less the $0.8 million. Although there was no impact current net earnings, the Desktop business contributed $-.4 million cumulative net earnings to Network.

The **Procurement Management** business line earned -$339,558 net income due largely to a change in the mix of contracts closed out to lower rated items. We believe this loss can be overcome with a simple pricing policy change and a working group has already begun working on a proposal for Board consideration.

The **Payroll** business line earned $134,877 net income due to continuing savings related to outsourcing the payroll to DFAS.

The **CHRIS** business line earned $731,177 net operating profit. The business experienced one-time operating savings and shifted some development efforts to other funding sources. Although this effort was outside of the scope of this business, it utilized captive business assets, which would otherwise have required WCF funding.

The **PMCDP** business line earned -$1,076,121 net income. This is due in part to prior year costs ($0.8 million) that are related to FY 2006 activities and in part to one time costs that will not recur in FY 2008. There is no need for a pricing policy review at this time.

The **STARS** business line earned -$969,756 income, due in part to prior year costs that were reported this year, and planned spending that exceeded the businesses billing to customers. The operating level of this business exceeds earnings by $1 million, which was recognized this year when the WCF Board increased its pricing policy to $4.5 million for FY 2009. In FY 2007 and FY 2008 this shortfall will largely be offset by investments by the Office of Chief Financial Officer.

Financial Reporting Control Assessment (A-123) business line experienced net earnings of $933,729 due to delays in initial operations caused by the continuing resolution. Spending is accelerating though $1 million per quarter beginning the fourth quarter of FY 2007.

Relation of Customer Payments to Anticipated Customer Billings

By the end of FY 2007 all customers had advance funds equal to or greater than actual billings. These unearned customer advances will be credited to program accounts for FY 2008 billings. In the beginning of FY 2007, a similar carryover amount financed the first ten weeks of operations in the absence of appropriations.

In past years, the Fund Manager obligated program funding directly to business accounts. In this way, contingency funds and retained earnings were identified with the business where these surplus funds resided. A more effective model would place the contingency in the Fund Manager's account, which would allow the contingency to cover the risk associated with total Fund operations. The likelihood that all businesses would require maximum contingency is remote. Also, limiting business funding to current requirements, places controls and disciplines on the businesses that surplus funding obscures. The new DOE financial system, STARS, required the Fund Manager to allocate funds to the business lines and offered the opportunity to control allocations and retain contingency at the Fund Manager's office. As a result this change increased internal controls over Fund financial management. Contingency is carried in the Indirect line below and managed by the Fund Manager.

Table II. Comparison of Advances to Billings
(dollars in millions)

	Advances	Billings	% Collected
Supplies	$3.0	$ 3.0	100%
Mail	2.9	2.0	145%
Copying	2.4	2.2	109%
Printing & Graphics	3.0	2.5	120%
Bldg Occupancy	73.6	69.4	106%
Phones	8.8	8.1	108%
Network	4.3	6.6	65%
Contract Closeout	0.5	0.7	71%
Payroll Services	2.3	2.1	109%
CHRIS	2.1	2.2	95%
Corp Training	0.3	0.3	100%
PMCDP	1.4	1.0	140%
STARS	5.0	4.0	125%
Financial Control	3.3	2.9	113%
Fund Management	22.3	0.1	N/A
Total	$135.3	$107.3	126%

Relation of Payments to Obligations by Business Line

There was no reportable administrative control of funds violation by Working Capital Fund business lines.

At the end of FY 2006 the fund recorded $21.3 million in collections in excess of obligations. For FY 2007 we received a further $114.0 million in customer advances for a cumulative availability of $135.3 million, as shown in Table III. In addition there were $22.3 million of customer advances not allocated to businesses.

Overall, fund businesses are carrying $27.5 million in unobligated balances into FY 2007. It should be noted that these balances are not unencumbered assets, in the sense that there are offsetting service delivery liabilities ($23.9 million) associated with customer advances.

Table III: FY 2007 Annual Business Results: Federal Agency Basis
(dollars in millions)

	Unobligated Balance 10/06[2]	Current Year Funding Allocations	Total Allocated to Businesses	Obligations	Unobligated Balances 9/07
Supplies	$1.7	$1.3	$3.0	$3.0	$0.0
Mail	1.0	2.0	3.0	2.8	0.2
Copying	0.9	1.5	2.4	2.3	0.1
Printing & Graphics	0.6	2.4	3.0	2.9	0.1
Bldg Occupancy	8.7	64.9	73.6	72.7	0.9
Phones	3.0	5.8	8.8	8.2	0.6
Network	1.4	2.9	4.3	1.9	2.4
Contract Closeout	0.4	0.1	0.5	0.2	0.3
Payroll Services	2.5	(0.2)	2.3	1.8	0.5
CHRIS	0.2	1.9	2.1	2.1	0.0
Corporate Training	0.3	0.0	0.3	0.1	0.2
PMCDP	0.4	1.0	1.4	1.4	0.0
STARS	0.2	4.8	5.0	5.0	0.0
Financial Control	0.0	3.3	3.3	3.3	0.0
Fund Management	0.0	22.3	22.3	0.1	22.1
Total	$21.3	$114.0	$135.3	$107.8	$27.5

[2] The unobligated balances are made up of earned and unearned customer advances from the prior fiscal year. These funds often act as working capital during the early weeks of the new fiscal year.

Changes in Budget Estimates by Business Line and Customer

The $15.7 million increase from the April 2005 to the December 2005 estimate for FY 2007 was the result of adding new businesses to finance External Independent Reviews (EIR)($10.5 million), Internal Controls ($5.0 million), and $0.2 million increase in the Supply estimate. During the Second Quarter the phone business projected reductions ($0.9 million) related to credits to customers for FY 2006 charges. EIRs will not be billed in the WCF (-$10.5 million), there are reductions to A-123 (-$2.1 million) and Printing (-$0.7 million) and building alterations (+$1.0 million) that were not in the original estimate. Otherwise, FY 2007 billing is reasonably aligned with prior estimates.

Table IV a., FY 2007 Budget Estimates for WCF Businesses

Date	Process	FY 2007 Billing Estimate ($Millions)
April 2005	FY 2007 Corporate Review	$104.9
December 2005	FY 2007 Congressional Budget	$120.6
December 2006	FY 2008 Congressional Budget	$120.6
September 2007	Monthly Bill, Table III	$107.3

Changes in Budget Estimates by Customer

The Fund staff provides guidance to program customers at various stages in the budget process. While recognizing that customer organizations can make decisions to increase or decrease their use of services, we seek to provide reliable forecasts of spending patterns. Table IV.b. analyzes the absolute dollar and percentage variation by customer between the estimates associated with the FY 2007 column of the FY 2008 Request to Congress and the actual FY 2007 customer billings. The aggregate absolute value of changes was $6.8 million, or about 6%. The Congressional Request column below has been adjusted to eliminate EIRs and some charges for A123, which were not billed in FY 2007.

Eight program customers experienced differences of 10% or more this year. This was due in part to reductions in discretionary spending (Bonneville, Fossil Energy, and Public Affairs). One program required additional space and building alterations due to increased workforce. Two programs were combined (IN and CN) and two programs were reorganized (EH and DR).

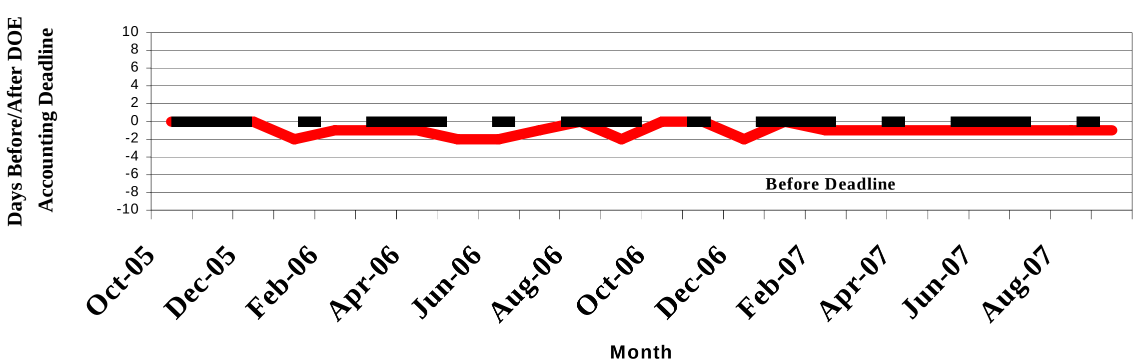
Table IV.b: FY 2007 Budget Estimate Accuracy by Customer
(dollars in thousands)

Customer Org	FY2008 Cong Request	Final FY2007 Charge	Absolute Change	Absolute Change %
Secretary of Energy Advisory Bd	$ 222	$ -	N/A	N/A
Board of Contract Appeals	113	115	N/A	N/A
Bonneville Power Administration	273	198	76	**28%**
Chief Financial Officer	4,712	4,816	104	2%
Cong. & Intergov'l Affairs	745	681	64	9%
Counterintelligence	1,222	1,597	375	**31%**
Dept Rep to the DNFSB	135	91	44	**33%**
Economic Impact and Diversity	688	664	24	3%
Energy Efficiency	7,222	6,905	316	4%
Environment, Safety, and Health	4,214	3,182	1,032	**24%**
Energy Information Admin	7,358	7,331	27	0%
Environmental Management	9,118	8,285	833	9%
Fossil Energy	4,152	3,706	446	**11%**
General Counsel	2,995	2,978	17	1%
Hearings and Appeals	813	803	10	1%
Human Capital Management	2,259	2,242	17	1%
Health, Safety, and Security	5,778	5,888	110	2%
Inspector General	1,683	1,652	31	2%
Chief Information Officer	5,299	5,396	97	2%
Intelligence	3,006	2,452	554	**18%**
Legacy Management	631	661	30	5%
Management and Administration	9,003	9,694	690	8%
National Nuclear Security Admin:	21,854	21,288	566	**3%**
Nuclear Energy	2,593	2,816	224	9%
Naval Reactors	297	286	11	**4%**
Office of Electric Transmission & Distribution	808	1,385	577	**71%**
Public Affairs	778	527	251	**32%**
Policy and International Affairs	1,716	1,801	85	5%
Civilian Radioactive Waste Mgmt	1,757	1,837	80	5%
Office of the Secretary	1,042	1,087	45	4%
Science	6,031	5,937	94	2%
WAPA/SWPA/SEPA	1,035	1,007	28	3%
Field Office (OLC)	3	-	3	100%
Total	$ 109,553	$ 107,306	$ 6,862	6%

Financial Management Systems

The WCF billing system continues to successfully produce timely and accurate monthly bills. The chart below indicates the billing performance related to transferring customer-billing information to STARS by the second working day of the month. This allows the Fund staff, with the cooperation of EFASC officials, to have the billings entered into STARS each month before the accounts are closed. A minus two (-2) indicates that billing was forwarded two days before the deadline. This standard provides customers with costs reported in STARS in the same month they occur. The time between the end of the month and the issuance of the bill is extremely consistent.

WCF Billing Performance



Indirect Cost Study: On September 24, 1999, the Inspector General conducted its most recent periodic audit of the Working Capital Fund, concluding, "The Fund was operated in compliance with the required administrative controls, used performance measures appropriately, and implemented actions to correct problems identified in the prior period where feasible." The audit did not make any recommendations. In response to an earlier 1997 Inspector General report, Working Capital Fund management agreed to provide a report to the Board that identifies Working Capital Fund business costs not now reflected in the Working Capital Fund pricing structure. The first report was transmitted to the Board on June 30, 1998. The latest report was forwarded to the Board at its December meeting and is available on www.wcf.doe.gov .

Since the creation of the Working Capital Fund (WCF), there have been numerous changes in the structure and offerings of the Fund businesses including new businesses and the impact of competitive sourcing on existing businesses. FY 2007 Indirect Costs were reported as 13.9% as a percentage of revenues. Declines in these costs have been offset by charges for DOECOE and subsidies to outsourced contractors. Generally these costs have declined from a high of 16% in FY 2000 and will decline further in FY 2009 when the costs for the logistics contract are added to Fund cost structure as a direct cost.

Pricing Policy Changes for FY 2008

Under current procedures, the Fund Manager is authorized to reduce prices to avoid accumulation of excess retained earnings, but increased in prices need to be addressed by the Board. In the judgment of the Fund staff, contract Closeout and the Mail businesses need a review of their prices in order to maintain break-even operations. Closeout is experiencing losses as explained following Table I above.

The Mail business is breaking even, but only because some segments are subsidizing delivery costs. Many programs have decreased their mail stops and the business-line manager asserts that mail stops are no longer the major factor in mail delivery costs. The pricing policy must be rebalanced to link costs with revenue. The Fund Manager will initiate a working group to address this problem.

Financial Analysis and Interpretation

The previous sections address the key financial questions that the Board asked the Fund Manager to address in the December 1998 procedures. Specifically, Section V.A.(3) (a) identified the following matters to be addressed in each quarterly report, to include the annual report:

i. Relation of earnings (billings) to expenses (accrued costs) by business line;
ii. Relation of payments (advances) by customer to current and anticipated annualized billings under current pricing policies, with a discussion of material balances or deficiencies;
iii. Relation of payments (advances) to obligations by business line;
iv. Changes in budget estimates, by business line and customer, from previously published estimates;
v. Anticipated need to change billing of WCF costs or to make substantial changes in operating levels.

This list of key topics from the 1998 procedures forms the basis for the tables in the previous sections, linked primarily to matters addressed either in a business income statement or in governmental administrative-control-of-funds.

In addition to these variables, the Fund staff evaluates performance in several ways. First, we maintain a historical analysis that compares the customer billings since creation of the Fund for FY 1997 to the costs for the equivalent administrative services during the four years prior to creation of the Fund (FY 1993-96). This analysis is contained in a report on the WCF Home Page. Summary of results follows:

During the eleven years of the Fund, the average annual costs of continuing businesses decreased by $7.0 million per year, over 8% in current (as spent) dollars. When inflation is taken into consideration, the savings from the Fund are estimated to be $18.2 million/year or approximately $218 million over the life of the Fund in constant FY 2000 dollars. While there are many qualifiers on this analysis, the evidence remains strong that the Department has achieved substantial net economic benefits from the market-like approach of the Fund to provide common administration services at Headquarters.

Fund management also reviews and analyzes the balance sheet for Fund as reported to the Treasury, and the following section addresses key balance sheet variables that bear on the health of the Fund businesses.

Balance Sheet Variables

Information in the financial balance sheet should be considered by the Board in interpreting the financial condition of the Fund. Table V provides the unaudited WCF balance sheets for the past two fiscal years, accompanied by a discussion of some of the major developments. The appendix at the end of this report includes a display of balances for the past nine years highlighting some interesting trends and a detailed report of balances provided by the Financial Reporting and Analysis Division of EFASC.

Total Assets for the Fund in FY 2007 increased by $11.5 million over FY 2006. This increase is due largely to the $10.5 million increase to Fund Balance with Treasury. This increased cash position results from two liabilities, Account Payables (+ $6.8 million) and Unearned Program Advances (+ $5.3 million). This is offset in part by the reduction in net position and contract holdbacks. Other assets increased by an additional $1.0 million as a result of prepaid postage, printing supplies, and network capital equipment.

Table V. WCF Balance Sheet FY 2007/FY 2006 ($ in Thousands)

		As of September 30, 2007		As of September 30, 2006	
ASSETS:					
	Fund Balance with Treasury		**$ 76,820**		**$ 66,279**
	Accounts Receivable, Net		**179**		**173**
	Advances and Prepayments		**325**		**88**
	Supplies Inventory		**271**		**39**
	Original Purchase Price	**21,688**		**21,009**	
	LESS: Accum Depreciation	**21,064**		**20,930**	
	Property and Equip, Net		**624**		**79**
TOTAL ASSETS:			**$ 78,218**		**$ 66,658**
LIABILITIES:					
	Accounts Payable		**$ 19,255**		**$ 12,521**
	Unearned Customer Advances		**23,943**		**18,612**
	Contract Holdbacks		**5**		**129**
TOTAL LIABILITIES:			**43,203**		**31,263**
NET POSITION:					
	Invested Capital		**35,466**		**29,563**
	Cum Results of Operations		**-452**		**5,832**
TOTAL NET POSITION:			**35,014**		**35,395**
TOTAL LIABILITIES AND NET POSITION:			**$ 78,218**		**$ 66,658**

Net Position

Net Position is the difference between Total Assets and Liabilities, and represents a measure of the Department's equity in the Fund. When the Fund was created, this net position was reflected primarily in the value of equipment and inventories. Two major components at that time were the value of the Telephone switch, which was being depreciated on a 30-year life, and the value of the Supplies inventory. However, with the sale of the Supplies inventory to PAPERCLIPS and the write-off in FY 2002 of the Telephone assets, the level and composition of the Net Position have changed. Specifically, the level declined by nearly $6 million in FY 2002 by the amount of the Telephone asset write-off, offset by the operating profit of other businesses, and the composition shifted such that $33.8 million of the Net Position is reflected as cash and $1.2 million in equipment or inventory.

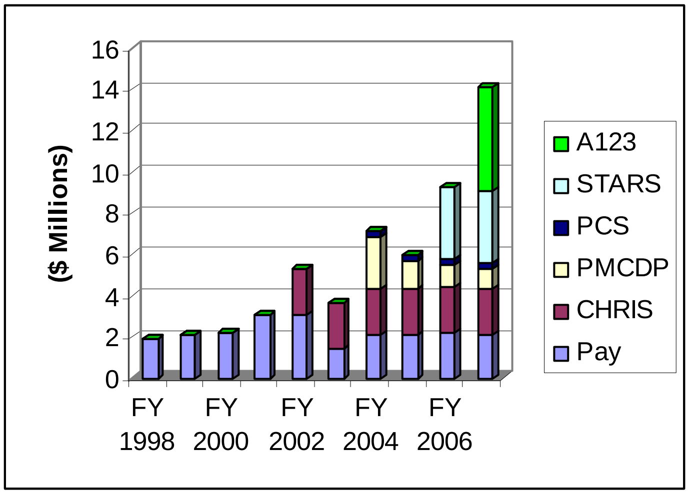
The derivation of this cash component of Net Position can be summarized as follows:

- Net Earnings of $12.9 million for the first eleven years of the Fund;
- Recording of $16.2 million in net depreciation over the life of the Fund, a non-cash charge; and
- Contributed Capital of $4.7 million, including $2 million from the CFO for the Payroll business, $0.3 million from the CIO to support the Desktop business, and the remainder in the form of contract balances transferred in from the former Management and Administration organization.

At the end of FY 2007, this cash balance is reflected in the Department's accounts as $30.4 million in uncosted obligations on contracts and $3.4 million in unobligated balances. In terms of business lines, $12.7 million is associated with the Building Occupancy business ($4.5 million on unfinished improvement projects and $8.2 million on operating contracts); another $4.1 million is remaining for Payroll operations at DFAS; and $10.0 million is earmarked for capital projects to update the Telephone and Network infrastructure. The remaining $7.0 million is split between the nine other Fund businesses.

Tax Based Business Lines:

Many Federal intra-governmental service funds like the DOE WCF base their revenues on "head taxes" and other similar assessments. The DOE Fund in contrast, has emphasized usage-based pricing and there has been healthy skepticism of tax-based businesses, where direct benefits to programs are not obvious. However, a review of these tax-based businesses suggests that they include some of the best managed and most innovative businesses of the Fund. The Chart below shows the cost history for respective businesses.



The Payroll business deferred implementing PeopleSoft Pay in FY 2001 ($5 million cost avoidance) and deferred program billing in FY 2003. Costs ranged from a high of $3.1 million in FY 2001 to $2.0 million FY 2007. The business began supporting DOEInfo in FY 2002. Payroll was outsourced to DFAS at the end of FY 2003, which required conversion to ATAAPS to record time and attendance. In FY 2004 the business implemented paperless Earnings and Leave statements. In FY 2005 the Business began supporting the Flexible Spending Accounts program, and in FY 2006 the business began supporting the DOE participation in Transit Subsidy.

The CHRIS business has contributed new functionality for paperless workflow in Human Resources for all human resource administration actions and training. The business also partnered with Payroll to provide paperless Earning and Leave statements. CHRIS has enhanced functionality, significantly, in its Employee Self Service site, to include: the automated leave request system, the integration of the SEET and Forestall parking systems, and products based on program requests for services like the e-performance pilots for NNSA.

PMCDP has provided program specific training in addition to its core project management training and certification. Its costs have declined from $2.5 million to $1.0 million/year. The business has also developed and delivered Real Property Asset Management training and is supporting the Deputy Secretary's emphasis on program management training. The STARS business has designed new customer focused reporting through the data warehouse.

Each one of these corporate systems operates in a stable environment offering DOE programs continuous and reliable services. They also provide significant support to the DOE Corporate Strategic Goal for management excellence.

Supply Business Line

FY 2007 Annual Report

Financial Summary

	FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 2001-2007 *(millions)*
PAPERCLIPS	$ 3.1	$ 3.2	-$ 0.1	-$ 0.2[1]

Background

PAPERCLIPS operates two main stores, which carry a wide variety of consumable office products. The supply business also obtains non-stocked items for customers. Our customers are employees of the Department's program offices. The offices are then billed for employee purchases.

Defining Success

This business supports the DOE Headquarters programs by providing, from a convenient location, basic office supplies necessary for employee desktop productivity. A market basket analysis of 10 common purchase items in August 2007 indicated that PaperClips supplies cost the Department 11.9% less than the competition. Because of the contractual nature of DOE's relationship with the service provider the measures of success are customer demand and customer satisfaction. Customer demand is measured by continuing purchases. Customer satisfaction can be measured by surveys. We are deciding whether to survey customers in FY 2008. A new contract was awarded on February 19, 2006. The contract was again awarded to Winston Salem Industries for the Blind – Paperclips.

Financial Overview

The **Supply** business line earned a -$109,799 net income, due largely to the impact of under-accruing costs in FY 2006. The two fiscal years combined break even.

Business Line Manager

Terry Butler 202-586-5201

[1] Financial results for PAPERCLIPS reflect only the performance since this organization took over the supply stores in FY 2001. the predecessor organization suffered $1.1 million cumulative losses.

Mail Services Business Line

FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(Millions)*	FY 2007 Expenses *(Millions)*	Net Earnings FY 2007 *(Millions)*	Net Earnings FY 1997-2007 *(Millions)*
$ 2.0	$ 1.8	$ 0.2	$ 0.5

FY 2007 Achievements

- The Headquarters Mail Center received the Mailing Excellence Award "Small Mailer" for the Washington Metropolitan Area on September 19, 2007. Jerry D. Lane, Vice President, Capital Metro Operations of the U.S. Postal Service, presented the award at the Postal Customer Council (PCC) Symposium. Postmaster General, John E. Potter, addressed all of the National PCC's nationwide via satellite. The DOE Mail Center was recognized for outstanding best practices in mail management and mail operations which include, cost savings in the use of flat rate priority shipments, use of business reply mail, customer rate shipping and mail list clean up.

- The DOE Headquarters Mail Team provided the DOE Budget Office logistical and security support that ensured the DOE Budget was delivered to the House of Representatives and the Senate Office Building to the members of Congress and Senate on Capital Hill.

- The Mail Center earned discounts of $29,700 from USPS in postage expenditures in FY 2007.

- The DOE Mail Team completed the required General Services Administration (GSA), Annual Mail Management Profile Report. The required deadline to GSA was March 30, 2007.

- Mail Management Team was recognized by the GSA in providing best practices information to other federal agencies on the conversion from the Official Mail Accounting System (OMAS) to the Commercial Mail Accounting System (CMAS).

- The Headquarters Mail Team continues to serve on several GSA, Interagency Mail Policy Council forums. Mail operations and mail security information are provided and shared to DOE Security officials.

Background

The Mail Services Business Line has provided service to DOE since FY 1997. We seek to achieve the highest possible level of customer satisfaction and safety with our mail operations. The DOE Mail Center provides a variety of mail services for all official and other authorized mail for DOE and its employees, including: the processing of all incoming postal mail, outgoing official mail, internal mail processing, and special services including accountable mail processing, pouch mail, a variety of overnight express mail services, directory services, and pick-up and delivery services.

Mail Centers are found at the following locations:

- <u>Forrestal Building—Room GL-084:</u>
  1000 Independence Avenue, SW
  Washington, DC 20785
- <u>Germantown Building—Room E-076:</u>
  19901 Germantown Road
  Germantown, MD 20874-1290
- <u>270 Corporate Center—Room 1003:</u>
  20300 Century Boulevard
  Germantown, MD 20874

Defining Success

This business contributes to the flow of critical information for DOE programs by distributing hard copy documents and printed materials, inspecting and cleaning the mail, and discovering low cost postal options. The business has adopted the following balanced scorecard objectives as the basis for measuring success.

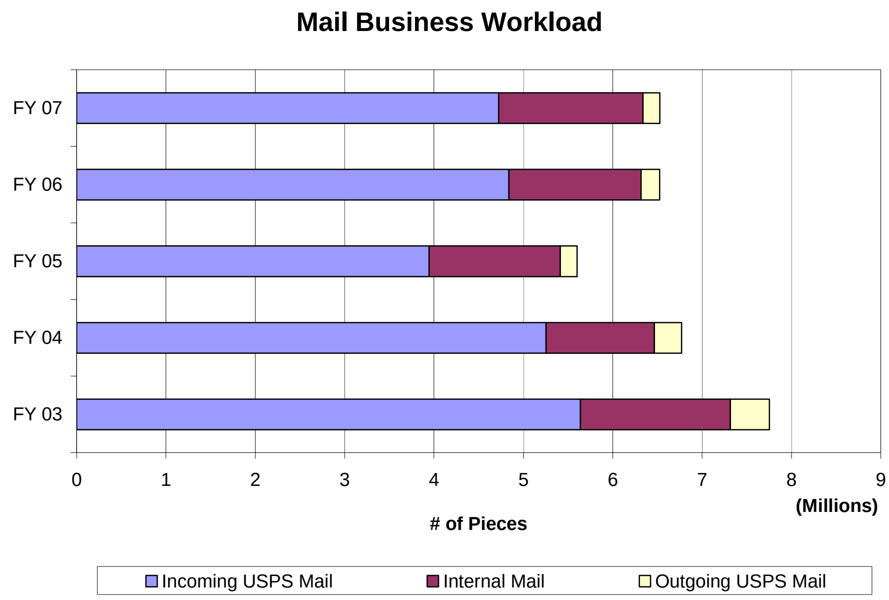
Mail Business Balanced Scorecard Objectives

	Customer Improve customer satisfaction.	
Financial Reduce customer's mailing costs.		***Internal Processes*** Streamline internal processes and apply best practices and technology advancements.
	Learning and Growth Enhance the effectiveness, knowledge, and satisfaction of Mail Service Business Line employees.	

Business Line Trends

The mail business handled approximately 6.6 million pieces of mail during FY 2007. The volume of both incoming mail and outgoing mail activity increase slightly this year but remained below prior year averages. With the creation of the Fund in FY 1997, program offices became responsible for paying for outgoing USPS mail and the volume of such mail has remained relatively small. There has also been a trend toward reduced internal mail, likely due to increased use of e-mail.

The mail business earns revenue to support internal distribution infrastructure based on the number of program customer mail stops. Program customers are reducing the number of mail stops with the result that these infrastructure costs will increase per mail stop. However, this trend is occurring at the same time that infrastructure costs are declining. We will be looking closely at this development during FY 2008 and make recommendations to the WCF Board.



Mail Business Line Workload Measures							
	Incoming USPS Mail	Internal Mail	Outgoing USPS Mail	Special. Services In	Special Services Out	Program Mail Stops	Common Mail Stops
FY 03	5,638,596	1,678,072	436,608	50,594	9,348	102	6
FY 04	5,254,777	1,211,282	303,727	48,519	14,271	100	6
FY 05	3,945,382	1,467,452	188,230	60,320	8,439	76	6
FY 06	4,839,137	1,478,430	207,379	46,395	9,481	73	6
FY 07	4,723,854	1,615,714	187,411	44,235	9,240	75	6

FY 2007 Financial Overview

The **Mail** business line earned $182,325 net operating profit due to errors in contract administration. Costs associated with messenger service ($150,000) were incorrectly applied to the wrong bnrs. The business-line caught these errors too late to fix in FY 2007, so these costs will be corrected in FY 2008.

Business Line Manager

Business Line Manager: Anthony Nellums,   202-586-6064

Photocopy Business Line

FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 1997-2007 *(millions)*
$ 2.3	$ 2.4	-$ 0.1	$ 0.8

FY 2007 Achievements

- The Copy Center completed the Science Bowl Reproduction Project that included questionnaires, flyers, brochures and other hand out materials for the 2007 Science Bowl.

- The Copy Center produced twenty-five (25) volumes of the FY 2007 DOE Budget that was sent to Capitol Hill.

- The Forrestal Copy Center produced a multitude of special copy jobs, e.g., the Veterans Day Program, (flyers, tent cards, and programs) approximately 35,000 copies were produced in a timely manner.

- Copy Services processed 1,828 toner cartridges for recyclable usage. The DOE received a cash donation of $605.00 that is allocated to the DOE Child Development Center.

Background

The Photocopy Business Line was part of the original Fund in FY 1997. The Photocopy Business Line provides convenient and cost-effective duplicating services and dedicated copiers to DOE Headquarters organizations at three Germantown Locations as well as Forrestal and L'Enfant Plaza facilities. At the main Germantown, Forrestal and L'Enfant Plaza locations, the business line operates a staffed copy center in each location and provides service and equipment for central and dedicated copiers. The Copy Management Staff also perform the following:

- Acquisition activities on behalf of program customers.
- Confer with customers at all levels to identify their copying requirements.
- Arrange for delivery, installation of newly acquired equipment.
- Negotiate with the vendors for trade-in discounts.
- Coordinate training for key operators and users on newly acquired equipment.
- Establish annual maintenance agreements with vendors (including negotiation of most cost-effective terms and conditions).

- Coordinate servicing of the copiers for customers.
- Maintain copier supplies for the various copier models.
- Recycle toner and ink jet cartridges.
- Provide door-to-door delivery of paper.
- Provide bulk delivery service for xerographic paper (by-the-skid).
- Perform equipment surplus functions, where appropriate.

A mix of Federal and contractor staff performs these functions. Program offices are charged for central and staffed copiers on a cost-per-copy basis, based on the number of copies made by program staff and a full vendor cost basis for its assigned dedicated copiers.

Defining Success

This business supports DOE program missions by providing document management, including paper copies and digital files for distribution and storage.

Photocopy Business Line Balanced Scorecard Objectives

	Customer Provide customers with convenient copy facilities and maintain low total cost to the customer.	
Financial Improve efficiency and ensure full cost recovery.		***Internal Processes*** Streamline internal processes and apply technological advancements logically.
	Learning and Growth Enhance the effectiveness, knowledge, and satisfaction of Photocopy Business Line employees.	

Business Line Trends

As shown in the figure on the following page, since the Fund was created, the number of total photocopies produced in Headquarters to 26 million copies per year in FY 2007. This compares to over 100 million copies per year in FY 1996, before the Fund was created. The digital scanning and OCR business segment will enhance the ability of this business to help our customers manage their document needs.

Photocopying technology continues to improve. Though usage is declining, we expect the requirement for photo copies to continue. In order to satisfy customer needs, we represent DOE at monthly vendor functions to keep cognizant of all new state-of-the-art equipment and interface with our peers at other government agencies to keep current on any laws and regulations that may affect our current business operations. We are also planning to provide automated access control and meter reporting for individual copiers in the coming year.

Copying Workload Trends

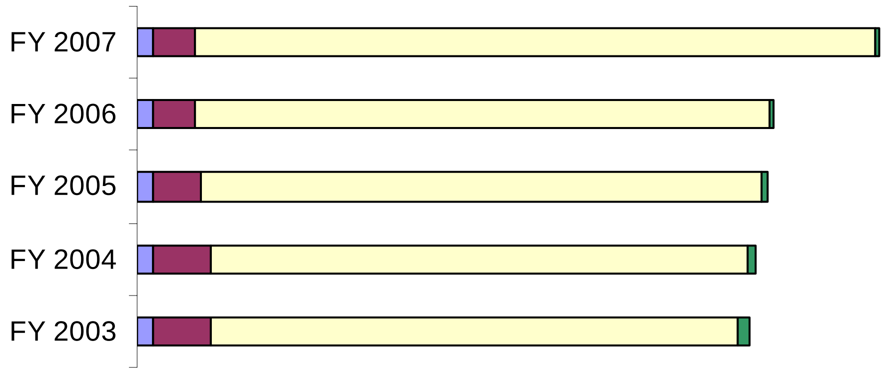
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Color	1,266,765	1,091,678	1,289,636	1,668,474	1,753,612
Staffed	9,270,704	10,664,649	10,979,249	9,663,144	6,228,690
Central	5,613,421	4,860,786	4,007,643	2,809,561	2,011,944
Dedicated	27,542,263	18,259,173	19,621,154	16,191,859	15,685,791
Totals	43,693,153	34,876,286	35,896,682	30,333,038	25,680,036

The business has maintained a very competitive pricing structure for copies in comparison to other organizations within and outside the Federal Government, as shown in the following table.

Cost-Per-Copy Comparison		
Organization	**B/W**	**Color Copies**
DOE (central/staffed)	$0.028	$0.50
Agriculture	$0.07	$0.85
EPA	$0.07	$0.45
Labor	$0.03	$0.40
Transportation	$0.07	$0.75
Kinko’s	$0.07	$1.49
Copy General	$0.07	$0.99
Office Depot (under 1000 copies)	$0.07	$0.99
Staples	$0.07	$0.99

There has been continued reliance on dedicated copier machines at DOE, explaining, in part, the significant reduction in the number of copies made at central copier locations. The business is exploring options to further consolidate central copiers. New copiers are predominantly digital and connected to the LAN.

Copier Machine Trends



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Miscellaneous	7	4	3	3	2
Dedicated	314	320	334	341	405
Central	35	35	29	26	26
Staff	9	9	9	9	9

Number of Machines

FY 2007 Financial Overview

The **Copy** business line earned -$157,410 net earnings due to the failure to collect for paper usage in dedicated copiers and recover the cost of new dedicated copiers, approximately $250,000. The business will charge customers for these amounts after programs receive their FY 2008 appropriations. Otherwise the business would have experienced a slight profit.

Business Line Manager

Business Line Manager: Anthony Nellums (202)586-6064

Printing and Graphics Business Line

FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 1997-2007 *(millions)*
$ 2.5	$ 3.9	-$ 1.4	$ 0.1

FY 2007 Achievements

Printing:

- Processed 1,132 print requests.
- Provided ongoing assistance to the customers on creating and submitting electronic media files for the printing of documents. Performed Flight Check of electronic media.
- Conducted a Department-wide FY 2008 survey for the Government Printing Office (GPO) FY 2008 Open Requisition. This forms the basis for DOE request for copies of other federal publications.
- Completed various items to support the 2007 and 2008 National and Middle School Science Bowls to include posters, calendars, certificates and brochures.
- Printed copies of the Departments Strategic Plan, which is the roadmap to address the energy, environmental and nuclear security challenges before us. Production of the plan included a kit folder, brochure and the executive summary.
- Provided printing policy support to field site printing managers in regards to acquiring equipment, excessing equipment. Hosted the monthly printing and mail teleconference and provided liaison between DOE sites, and GPO, and the Joint Committee on Printing (JCP).
- Printed copies of the Departments Thirtieth Anniversary Program. The programs were distributed during the anniversary ceremony on October 9, 2007.
- Printed copies of the Energy Activities with Energy Ant "Coloring Book" for the Energy Information Administration. The coloring book is used as a tool for teaching students about the various energy resources.

Graphics:

- Processed 3,615 graphics requests

- Provided support for the annual DOE National Science Bowl Competition – provided contract vendor oversight for the production of all supporting graphics related materials

- Provided support for the Lawrence Awards presentation ceremony – provided contract vendor oversight for the procurement of recipient medals and certificates

- Provided support for the DOE Strategic Plan implementation – provided the design and print originals for all printed materials relating to the Strategic Plan, provided contract vendor oversight for the production of the wall display opposite the Main Auditorium

- Provided support for the with the Main Lobby Visitors Museum – provided contract vendor oversight for the production of all three major exhibits, assisted with the pre-production process of numerous other exhibits, prepared designs and print originals for the program booklet, and prepared and produced the final products (personalized certificates, pins, and mail-merged notes from the Secretary) for presentation to 850 DOE Federal employees who were with the agency when it came into existence in 1977.

- Completed the acquisition of three new color printers for the Forrestal office (including a new large-format printer) and one color printer for the Germantown facility.

Background

Printing services produce a complete range of high-quality printed products comparable to those available from a full-service commercial enterprise. The services include: mailing, shipping, and distribution; production of Government Printing Office (GPO) printed inserts to the daily Federal Register; production and duplication of various electronic informational media; and court reporting and transcription services.

The graphics business line provides onsite design and production services for all graphic products required by Headquarters offices. Products and services include but are not limited to the following: full color posters, various sized signs, exhibits, promotional materials, desktop publishing services, presentations, certificates, seminar materials, and output services. In addition, this business provides expertise and project oversight when coordinating work produced for DOE by commercial firms.

The business line also provides onsite photographic services for all Headquarters offices. Services include but are not limited to the following: Washington DC & metropolitan area photographic sessions, studio photography, passport & visa services, digital photography, and complete photo lab services. The business line maintains DOE technology visuals in order to provide prints/slides to Department-wide program personnel and the public sector. In addition, this business catalogues and maintains negatives generated by Headquarters photo assignments. The business line sells printed products, such as official DOE stationary, that had previously been sold through the Supplies business line.

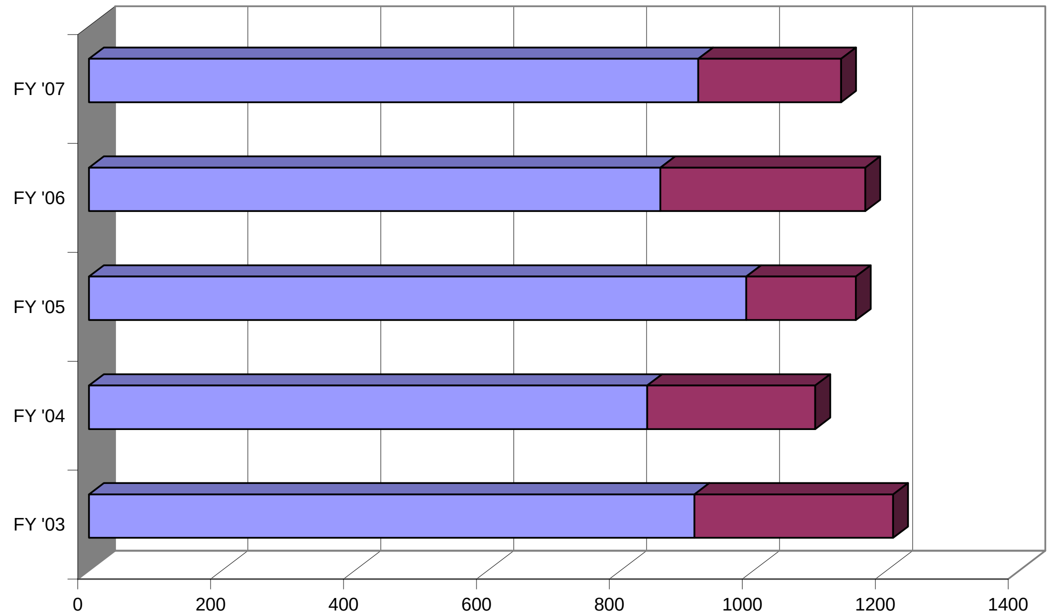
Defining Success

The Printing and Graphics Business Line's goal is to provide quality printed and graphics services in an expeditious, timely, and efficient manner at the lowest cost to programs. The focus is on capacity, processes, and quality control.

Printing and Graphics Business Balanced Scorecard Objectives

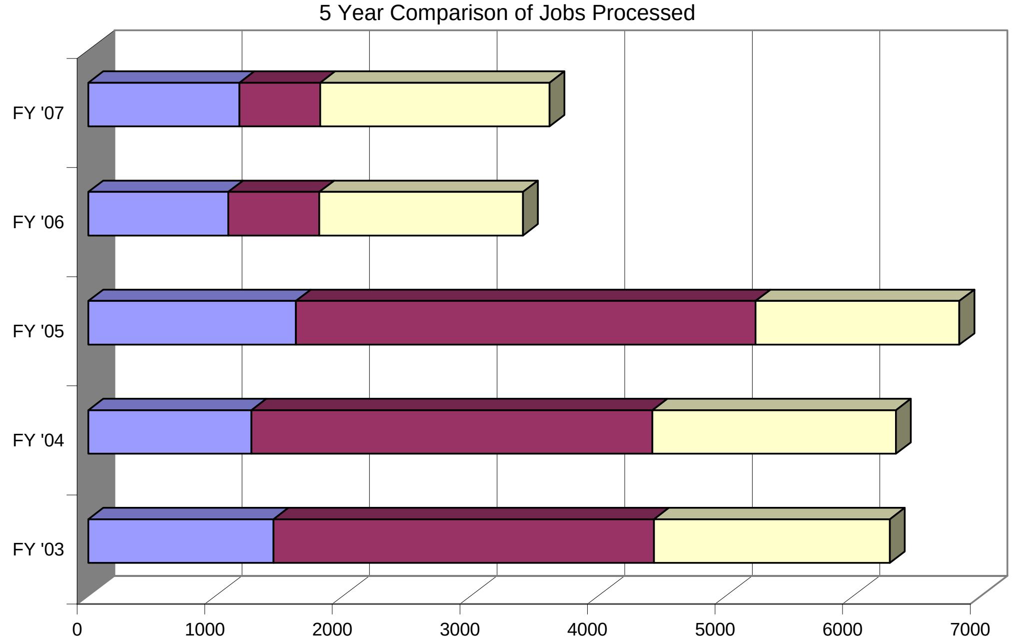
	Customer	
	Provide final printing products that conform to customer's expectations.	
Financial		***Internal Processes***
Reduce customers' printing costs by identifying less expensive methods of production.		Foster partnership with GPO to utilize "best-value" contracting.
	Learning and Growth	
	Improve the skills of all staff through training and improved automated systems.	

Printing Services Business Line
5 Year Comparison of Jobs Processed



	FY '03	FY '04	FY '05	FY '06	FY '07
Federal Register	299	253	165	308	215
Printing	911	840	989	860	917

Graphic Services
5 Year Comparison of Jobs Processed



	FY '03	FY '04	FY '05	FY '06	FY '07
Graphics	1848	1908	1597	1597	1797
ETVC	2982	3144	3604	713	634
Photo	1452	1278	1627	1097	1184

FY 2007 Financial Overview

The **Printing and Graphics** business line earned -$1,422,560 net earnings due to prior year costs. The business believes that the $1.2 million accrual recorded this month was excessive and is working with the Fund Manager to determine the accurate financial position of this business. This liability is offset by $1.5 million cumulative profit reported in FY 2006. We are confident that cash reserves in the business will be sufficient to satisfy any adjustments that will result from this analysis.

Business Line Plans and Anticipated Issues

The Printing and Graphics Business Line has identified the following as key objectives to be implemented:

Printing:

- Further modifications to the new Job Tracking System (JTS) during FY08 for budgetary requirements and to be more user friendly which would assist the teams ability to better track printing jobs.
- Continue to conduct proof and press sheet inspections on jobs when appropriate to ensure customers receive quality products.
- Improve on printing cost estimates
- Continue seeking alternative procurement methods minimize the cost for procuring printing through the Government Printing Office.

Graphics:

- Graphics will need a new tracking system in the near future because the existing software has not kept pace with the technology.

Business Line Manager

Dallas Woodruff, Dallas.Woodruff@hq.doe.gov, 202-586-4318,

Building Occupancy Business Line

FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 1997-2007 *(millions)*
$ 69.5	$ 71.0	-$ 1.6	$ 6.9

FY 2007 Achievements

- Continued construction and relocated personnel to acquired swing space, facilitating the GSA $40 million Forrestal Life Safety Sprinkler System and Voice Annunciation Fire Alarm System Installation Project
- Eliminated 48 identified barriers to persons with disabilities from the biennial audits of the Forrestal and Germantown buildings. Since FY 1999, a total of 320 of the 425 barriers identified or 75.3% have been eliminated.
- Continued to implement HQ infrastructure improvements as follows:

At Forrestal:

- Upgraded the final 10 restrooms and drinking water fountains to include full compliance with the Americans with Disabilities Act accessibility guidelines. This completes the upgrade of all 134 restrooms at the Forrestal Complex.
- Renovated lobby (Museum).
- Alterations 5C-033 (Hurricane Room).
- Sprinkler project completed 2nd, 3rd, 4th & 5th Floors.
- Completed renovations in rooms GA-087 and GB-230 for IN.
- Installed new aesthetic concrete planters which replaced the Jersey Barriers under the North Building.
- Performed expansion joint repairs at 10th Street to eliminate water infiltration in the Pedestrian Mall area.

At Germantown:

- Completed the Germantown Electrical Distribution standby generator system upgrade project on schedule for the COOP.
- Installed new flooring on the 3rd floor and new cove base on the 2nd and 3rd floors.
- Completed construction of emergency generator power upgrade for COOP.

Background

The products and services provided by the Building Occupancy Business Line include: space management, assignment, allocation, acquisition, disposition and utilization, utilities, cleaning services, snow removal, facility operations and maintenance, pest control, trash removal, waste recycling, drafting of construction documents (drawings and specifications), developing scopes of work, construction management and inspection, engineering, lease-hold administration, lock repair and key management, safety and occupational health, and conference support. These services are provided at standard and above standard levels of service. The standard level of service is to provide the basics of a safe, healthy, warm and adequately lit shell. Renovations within a suite of offices for the benefit of the program office are considered to be above the standard level of service for which programs are billed. The mission of this business line is to provide the most expeditious and efficient service in a safe and healthy environment to the members of the DOE program offices and to achieve the highest possible customer satisfaction in accordance with the Federal Property Management Regulations. The Building Occupancy Business Line is led by a management team whose combined backgrounds consist of corporate knowledge in occupancy allocation, building maintenance and operations, as well as engineering and facilities management. The staff is a diverse, quality workforce consisting of trade and professional personnel, and contractors.

Defining Success

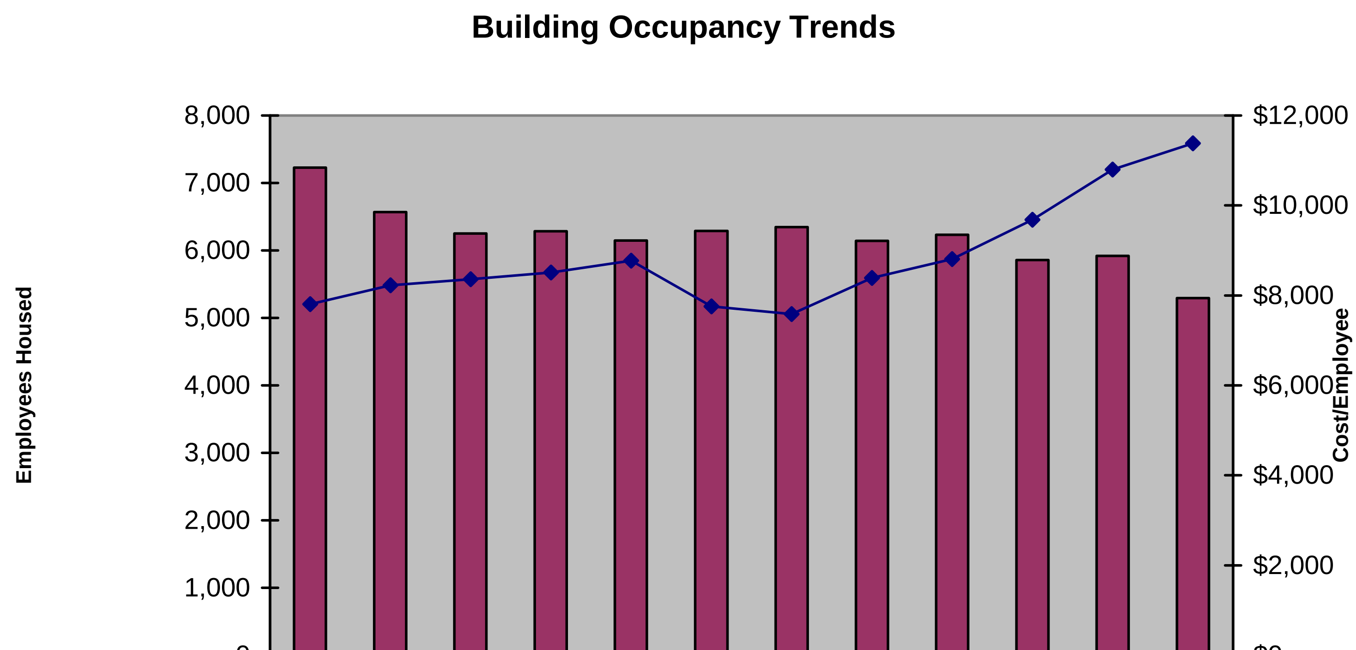
To monitor the Business Line's service performance, the Business Line tracks several metrics. These include cost per square foot of both government owned and leased space, cost per person, the number of employees housed, vacancy rate, and the total square footage of space utilized. The Balance Scorecard objectives in the Building Occupancy Business Plan are as follows:

Building Occupancy Business Balanced Scorecard Objectives

	Customer	
	Improve customer satisfaction.	
Financial		***Internal Processes***
Reduce cost per person.		Operate and maintain equipment and systems in a manner that will provide for orderly operations of the Department, be environmentally responsible, and ensure preservation of the Government's real property assets.
	Learning and Growth	
	Improve knowledge, skills and abilities of Business Line staff in support of business systems and Business Line mission.	

Business Line Trends

The Fund was created during a period of Headquarters downsizing. The number of Federal and contractor employees housed in FY 2007 was approximately 1,900 lower than in FY 1996. (See bars on the graph below). During the early years of the Fund, the cost per employee housed tended to increase, but this trend was reversed during FY 2001 and lowered further in FY 2002. As a result, the nominal space cost per employee in FY 2002 was below the FY 1996 level by over $200. With the acquisition and occupancy of approximately 74,000 sq. ft. of leased space at 955 L'Enfant Plaza by NNSA in FY 2003 and 18,048 sq. ft. by EH in FY 2004, the trend has reversed again, and continued to increase in FY 2007.



	FY96	FY97	FY98	FY99	FY00	FY2001	FY02	FY03	FY04	FY05	FY06	FY07
Employees Housed	7,226	6,567	6,252	6,286	6,149	6,290	6,347	6,143	6,233	5,860	5,920	5,292
Cost/Employee	$7,809	$8,225	$8,361	$8,509	$8,771	$7,757	$7,584	$8,388	$8,808	$9,680	$10,798	11,381

80% of the Building Occupancy Business Line staff was subject to competitive sourcing. A final decision selecting the Contractor was made in FY 2006. A four month transition period ended on August 31, 2006, and full performance began September 1, 2006. The impact of the contractor effort has been closely monitored throughout FY 2007.

The table below displays selected metrics for the Building Occupancy Business Line. It indicates that the overall area occupied by Headquarters peaked in FY 1996 and decreased through FY 2002. The vacancy rate has decreased to 0.5% and the number of accidents and injuries continues to decline.

Building Occupancy Business Line Metrics

Metric	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Total Foot sq (thousands)	2,435	2,413	2,380	2,319	2,319	2,319	2,307	2,381	2,399	2,381	2,358	2,358
Employees Housed	7,226	6,567	6,252	6,286	6,149	6,290	6,347	6,143	6,233	5,860	5,920	5,292
Cost/Foot sq (owned)	-	-	$22.41	$23.11	$23.19	$20.13	$20.03	$20.21	$21.71	$22.72	$25.54	$24.36
Cost/Foot sq (Leased)	-	$23.49	$23.49	$22.85	$23.85	$27.50	$26.94	$29.85	$29.77	$30.20	$31.28	$32.81
Cost/Person	$7,809	$8,225	$8,361	$8,509	$8,771	$7,757	$7,584	$8,388	$8,808	$9,682	$10,798	$11,381
Vacancy Rate	-	1.82%	2.99%	1.82%	1.75%	0.37%	0.20%	0.11%	0.40%	1.64%	1.81%	0.05%
Rent (in $000's)	$56,428	$54,011	$52,271	$53,489	$53,933	$49,077	$48,134	$51,525	$54,900	$56,739	$57,048	$60,227
Accidents/ Injuries	75	76	75	69	59	57	49	46	40	29	32	28
Foot sq/ Employee	337	367	381	369	377	369	364	388	385	407	408	445

FY 2007 Financial Overview

The **Building Occupancy** business line earned -$1,574,804 net income. This is due largely to costing completed projects where customers were billed in earlier fiscal years when the revenue was earned. Most of the $8.5 million cumulative net earnings in this business are being used to forward finance utility and maintenance contracts ($5.7 M). The balance of the net earnings are committed to construction projects ($2.8 M) and cannot be redirected to other uses or refunded to customers.

Business Line Plans and Anticipated Issues

EIA consolidated from 950 L' Enfant Plaza into the Forrestal Building in FY 2007. However, EE is planning on taking over the space that EIA vacated. Overall, this is expected to keep constant the average cost per square foot and per employee in the Headquarters complex in FY 2008.

Business Line Manager

Michael E. Shincovich, Manager 202-586-1557

Telephone Business Line

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 1997-2007 *(millions)*
$ 8.1	$ 5.9	$ 2.2	-$ 6.2

FY 2007 Achievements

<u>Voice Operations:</u>

- Completed a full demolition of the voice & data cabling infrastructure, including the removal of all voice & data hardware, on the vacated wing of the Cloverleaf building.
- Decommissioned the old Nortel Option-11 PBX and UPS Batteries at 950 L'Enfant.
- Deprogrammed approximately 200 phone lines (voice/fax) due to the EIA group move from the 6th floor of 950 L'Enfant to the Forrestal building.
- Continued to support the Sprinkler System Project at Forrestal. Every 10-12 weeks a group of approximately 225 DOE personnel from the Forrestal building are relocated to designated swing spaces in 950 L'Enfant. In support of this we reroute their main extensions to 950 L'Enfant until the sprinkler work is completed. After completion we reroute their extensions back to Forrestal.
- Successfully installed a new tape drive in the Octel 250 located at 950 L'Enfant in order to facilitate system backups. Prior to the installation, the capability of performing system backups did not exist.
- Successfully installed and rerouted cabling, relocated extensions, fax machines, and desk sets, and made several PBX and voicemail routing changes in support of the EIA move project at the Forrestal location. Our portion of the project involved approximately 1,000 moves and spanned more than 6 months.

<u>FTS Operations:</u>

- Processed 1100 service orders for moves, adds, and disconnects in FY07 and another 400 orders for service delivery location, hierarchy, or name changes with AT&T, MCI/Verizon, Sprint, and NCS.
- Completed the Monthly FTS inventory to services billed audit on voice, data, and calling card services; and provided results to the FTS Software Development and Engineering (SDE) group.
- Assisted SPRO in the planning and implementation of preparations for the 2007 hurricane season by placing two 800 numbers on alternative routing plans and following receipt of the NCS TSP authorization codes, submitted orders for (3) DTS T1.5 orders to AT&T between Plaquemine LA and Hackberry LA, Plaquemine LA and Freeport TX, and Plaquemine LA and Beaumont TX and issued (1) IP service order to Sprint for a 3MB IP service into Plaquemine LA.
- Filed 27 billing disputes in FY07 and closed 24 disputes. Additionally, 17 FY06 billing disputes were closed in FY07. The disputed dollars for FY07 were approximately 40K, although open carry over dispute value from FY06 was in excess of 100K. The approximate vendor credits received from disputes closed in FY07 was 31K and the value of denied dispute for PNR was in excess of 100K. Disputes filed by GSA or the vendor are not reflected in the reported figures, although credits were issued to DOE.

- Extensive proactive work with all of the FTS vendors to correct root causes for billing errors provided a recognized decrease in the number of filed disputes required. The FTS Team assisted with several disputes filed on commercial services with credits recognized on commercial services and re-rated charges under FTS where applicable. Numerous actions were taken to correct billing allocation errors, which resulted in an adjustment to internal accounting with no formal vendor dispute required.
- Conducted a site by site audit process for inventory clean-up of calling cards. Subsequent information and guidance was provided to numerous sites on DOE policy, processes and procedures to ensure inventory control and enforcement of the agency's DAR policy. The audit also resulted in service order activity to reconcile site calling card profiles.
- Researched and identified the cause for incorrect billing associated with a Nevada Site Office (NSO) conferencing authorization code and a similar telephone number used at the NSO. Provided support and information to the site on formatting internal control procedures to address all FTS vendor conferencing services as part of the resolution action plan.
- Worked with the FTS SDE group and Verizon Business contact to establish the structure and process for creating emergency authorization codes.
- Implemented an action plan with Richland, PNNL, Verizon, and AT&T to resolve problems within the PNNL PBX/Dial Plan when making international calls and to address commercial billing of FTS numbers. An audit of the Richland inventory of Dial Plan numbers in the AT&T database resulted in the discovery of 970 numbers missing that were causing commercial billing rates to be charged on the Verizon bill. Action was taken to ensure the inventory was added to the AT&T inventory database allowing the appropriate billing data flow and eliminating charges on the Verizon bill.
- Implemented action plan and WAPA authorization to AT&T for the migration of a WAPA AT&T/SBC commercial T1.5 between Byron CA and Livermore CA, for a 50% reduction in cost. The SBC/AT&T commercial contract expired and the automatic price increase had tripled the cost of the circuit on a month to month basis.
- Presented DOE's policy, process, and procedures for the GETS/WPS Program at the NCS Quarterly GETS Council Meeting on March 22, 2007. The presentation was well received and NCS recognized DOE as a model for other agencies in their management and approach of the GETS/WPS Program.
- Conducted site surveys and draft report on behalf of DOE in accordance with Executive Order 12472, Section 3, subparagraph i.6, for submission to the Office of the Manager, National Communications System (OMNCS), regarding the agency's National Security and Emergency Preparedness (NS/EP) telecommunications activities. The DOE report will be included in the OMNCS' Annual Report.
- DOE implemented a project initiative for all DOE sites to review their Government Emergency Telecommunications System (GETS) card and Wireless Priority Service (WPS) requirements for Mission Critical Personnel. DOE increased the assignment of GETS cards over the previous year by 43%. GETS card testing increased 32% for the first six months of the 2007 CY versus 2006.

Switchboard:

	Total Conference Calls	Completed Conference Calls	Denied Conference Calls	International Conference Calls	Cancelled Conference Calls
Total Number of Calls	2288	2141	81	88	66
Total Number of Conferees	27808	25794	1127	N/A	887

Background

Since the inception of the WCF in 1997, this business has provided reliable telephone services in support of DOE programmatic missions. It provides telephone service for approximately 14,000 phone lines in use at the Department's Headquarters facilities in Washington, D.C. and Germantown, Maryland. The telephone system infrastructure is composed of two, large Northern Telecom MSL100 PBX's (one for each headquarters building), two Remote Switching Centers (RSC), Option 61c PBX, Octel 350 Voice Mail System, Octel 250 Voice Mail System, and includes local, long distance, and international dialing provided through the headquarters telephone system. It also includes specialized services such as:

- Operator-assisted calls (including large audio conference calls)
- Voice mail, three-way calling, call forwarding, 800 telephone services, custom calling cards for domestic and international calling
- Video conference calling at variable speeds
- Technical personnel to install repair and operate the system
- Support personnel to administer service order implementation, billing, and charge back processes required to process the DOE HQ's user organizations service needs

Headquarters telephone system infrastructure facilities and access to the Washington Metropolitan Area local telephone exchanges is provided by Verizon Communications under the GSA WITS2001 contract, which became effective on October 1, 2000. Domestic long distance calling services and video conferencing services are provided by MCI under the GSA FTS2001 contract. AT&T provides FTS, International calling services and calling card services (domestic and international) under the GSA "Crossover" contract. Contractor personnel provide technical and administrative support for these services.

Defining Success

Customer satisfaction is one of our key goals. The small number of user complaints and the following telephone service statistics indicate that we are meeting our goals:

- Telephone reliability of 99.8%
- Not more than 35 outbound calls blocked per 10,000 calls placed

Reliable telephone service is a critical element in each DOE organization's ability to successfully fulfill its mission. The DOE has improved Internet Protocol (IP) access for our remote and HQ complex users by implementing diverse IP services with AT&T, Verizon/MCI, and Sprint. This action has improved remote connectivity from all communities that our DOE users call from and also improved reliability of access at HQ. Defining and satisfying user requirements in a timely manner are our major objective.

Business Line Trends

Telephone service technology changes will continue at a rapid rate as Internet Protocol (IP) technology and broadband facility management provides for bundling of telephone, data and video services to achieve an overall lower cost and better utilization of available telephone facilities.

The telephone system is maintained at a service and equipment availability level to accommodate changing program requirements. Plans for upgrading existing equipment and implementing new technology ensures continuous and reliable telephone service to Headquarters users. Ongoing maintenance has extended the useful life of capital equipment through FY 2009.

Open Federal Telephone System (GSA) recommendations and disputes

The FTS/Traffic Analysis Team continues to analyze the level of traffic flow at the Department of Energy and to make monthly recommendations to adjust infrastructure trunking accordingly.

Future recommendations will include the possible removal of an excess of MCI FTS T1’s at both GTN and FORS facilities. Additionally, the FTS billing team continues to research vendor billing discrepancies. Multiple billing disputes are pending and corrective action with the carriers is currently underway.

Telephone Usage

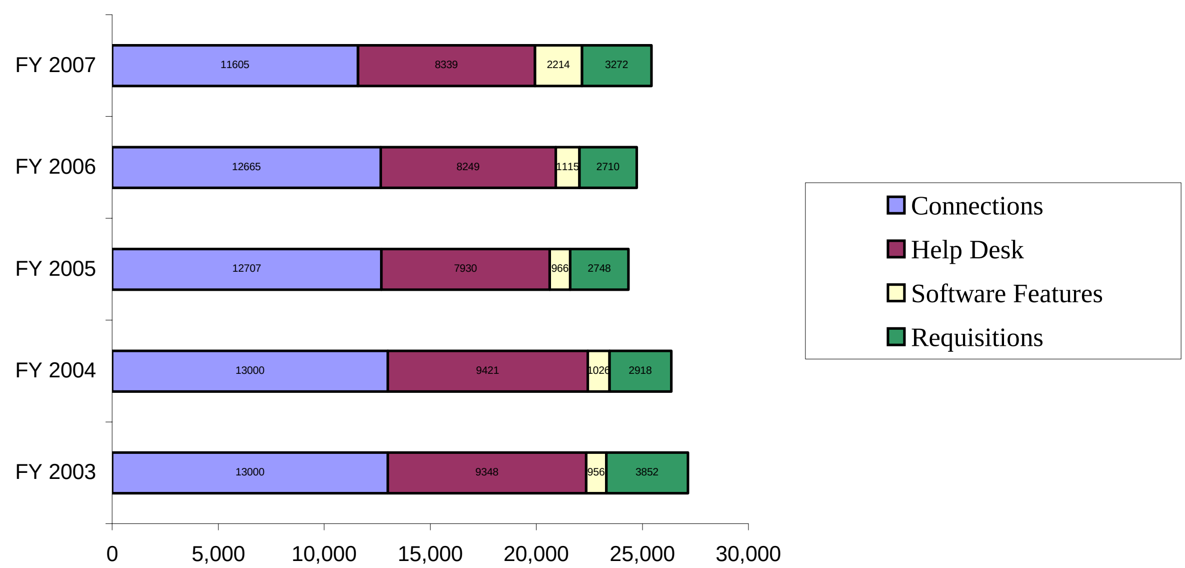
Telephone usage in millions of calls per year is shown in the below table. Please note the decline of local phone calls. This is due to increase use of wireless devices and a period where calls at L’Enfant Plaza were not counted. We expect usage to approach historical levels in FY 2007.

Millions of calls/year	FY2003	FY2004	FY2005	FY2006	FY2007
Local	3.6	4.1	4.3	2.9	2.5
FTS2000/FTS2001	2.6	2.1	2.5	2.4	2.2
Internal (PBX)	28.1	26.6	27.1	19.3	17.9

Electronic Devices in Use					
	FY03	**FY04**	**FY05**	**FY06**	**FY07**
Wireless Phones/Blackberries	1266	1311	1307	2194	1776
Pagers	1850	1455	1371	1150	798

Demand for Voice Service Actions continues to be strong as presented the table below.

Telephone Service calls as related to Help Desk Trouble Calls and Requisitions



FY 2007 Financial Overview

The **Telephone** business line earned $2,209,193 net operating profit due in part to reversing $1.3 million in network expenses that were recorded against the phone business, $0.7 million in depreciation billing to finance replacement equipment, and $0.2 million one-time operating savings. Net earnings will finance capital requirements to replace the old phone system.

The Telephone Business Line was charged $9.3 million depreciation expense for the write-down in FY 2002 of the value of physical assets that were transferred into the Fund at its inception in FY 1997. The reported cumulative loss of $6.2 million is a "book loss" caused by the accounting recognition of depreciation expenses without corresponding revenues to offset such costs. The write-off makes the asset life consistent with GSA guidance, and this has no adverse implications for the underlying, long-term financial stability and viability of the business.

Business Line Plans

The current MSL 17 software release will be fully supported through FY 2009. The business line is planning to upgrade the two MSL-100 Telephone Switches to two Nortel CS2100's in FY08. If this effort should be deferred until after FY 2009, the phone system will require significant upgrades at high cost to the DOE.

Business Line Manager

Judy Saylor, 301-903-4999

Network Business Line

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 1998-2007 *(millions)*
$ 6.5	$ 6.0	$ 0.5	$ 6.2

FY 2007 Achievements

Overall performance for fiscal year 2007 exceeded targets. Significant accomplishments are included to demonstrate the continuing improvements being made in all areas of management and operations of DOE's networks. We continue to strive to refine our performance goals and improve the tools used to measure our achievement.

Summary Performance vs. Objectives

Business Line	SLA Objective Availability	Attainment
HQ Network Infrastructure	**99.5% (Per Task Order)**	**99.96%**
Internet Service	**99.0% (Per Task Order)**	**99.99%**
DOEnet Circuits	**99.5% (Per FTS2001)**	**99.95%**

Accomplishments by Business Line:

Daily, Weekly and Monthly Headquarters Network Performance Reports are produced in support of all networking services. Tivoli NetView and Concord's E-Health are used to collect and report the network statistics. These reports are generated and serve as support for SLA documentation.

Network Management Accomplishments

- Network Operations monitored all OCIO maintained Network Devices and Network Services, 24 hours/day X 7 days a week, utilizing Tivoli NetView, Concord, Attention! Notification System and CiscoWorks network management tools.
- Manage the DOE HQ Site Network and DOE Wide Area Network in accordance with established configuration management practices to provide a reliable operational environment and to avoid adversely affecting the operation and security controls for all authorized, connected production information systems.
- Completed all documentation requirements in support of the Network Certification & Accreditation (C&A).
- Generated an updated system inventory for all network devices managed by OCIO and developed a process to proactively manage/troubleshoot and schedule these devices for IOS and CatOS upgrades to the latest available version.

Network Infrastructure Accomplishments:

- Successfully provided network project planning and implementation activities to support the relocation of program offices for all planned phases of the Department's Sprinkler Project to include customer requirements, configuration design and implementation activities, and ongoing customer support.
- Supported and implemented all approved DNS and DHCP requests.
- Supported DOE participation in Exercise Pinnacle, the White House sponsored 2007 COOP Exercise, successfully testing the agency's ability to coordinate, develop and implement continuity of staff to alternate operating facilities in the event of an emergency in Washington D.C.
- Supported the AHE annual disaster recovery (DR) exercises where the network and security teams jointly provisioned a site-to-site VPN tunnel using the VPN 3030 concentrator and an ASA 5510 firewall to allow connectivity between the SunGard recovery center in New Jersey and DOE HQ. Additionally, two DR/COOP DNS servers were provisioned to support both the DR testing user community and the AHE DR servers. With the support provided by the network and security teams, the AHE for the first time had secure connectivity directly from the SunGard facility, New Jersey back to DOE HQ, and end-users were provided with a simplified method of resolving applications for testing.
- The network team supported the EE program office product evaluation for Tandberg high definition video conferencing capabilities between DOE HQ and multiple field sites.
- Streamlined the HQ network configuration and increased the security controls available to protect hosts currently located within the RW legacy subnet by modifying the default route for an OCRW legacy subnet at Forrestal which is used for mission-specific (non-DOECOE) platforms. The default route is consistent with those for other subnets at DOE HQ, where all Internet and WAN traffic for this subnet pass through the OCIO-managed HQ Site Network.
- Replaced the four existing Linux servers running DNS at DOE HQ with platforms running the latest versions of BIND 9.3.3 and OpenSSL 0.9.8d. The existing Linux servers were then rebuilt using the team's STIG for Linux and redeployed as the production DNS servers.
- Migrated DHCP services from a single Windows 2003 server to the high-availability Infoblox ID-Grid appliances. Moving DHCP services removed a single point of failure and supports improved cyber security efforts for network inventory functions as an interim solution to securing the network edge prior to rolling out 802.1X under the future network upgrade plan.
- Replaced the primary and secondary remote access PIX firewall devices with new ASA (Adaptive Service Appliance) systems. This upgrade enabled the VPN administration team to further enhance the capacity, features, and performance level of remote access.
- Modified the remote access ASA appliances' configurations to become a load-balanced cluster, increasing the availability of VPN remote access services.
- Modified the VPN database and re-designed the VPN, RAAQ, and Remote Access Request Web Interfaces to pull information from Identify Management eliminating the need for data duplication/entry and develop more reliable/consistent reports. This process ensures that VPN user accounts are associated with the AHE's Identity Management corporate database.
- Developed and implemented additional function calls for the Radiator configuration on the RADIUS authentication server that identifies user program office affiliation and passes the appropriate VPN portal page to each client upon connection. This new code allowed over

1,200 rows to be removed from the RADIUS reply table, increasing speed in MySQL queries and reducing latency in the VPN login process.

- Modified the VPN topology to move all platforms into separate VLANS for enhanced flexibility, security, and added network efficiency.

DOEnet (WAN) Accomplishments

- Successfully completed installation of the ASA firewalls and intrusion prevention systems on all active DOEnet (WAN) nodes. Immediate benefits:
  - detailed traffic session logging,
  - protocol-level traffic enforcement,
  - stateful packet inspection, and
  - improved remote network management - both in-band and out-of-band.
- Established new full network connections for the Energy Training Services (Albuquerque, NM), and the Office of Legacy Management (Morgantown, WV), providing other network service and technical support.
- Established dedicated network connections on existing DOEnet nodes for the Y12 Site Office (Oak Ridge, TN) and the WIPP waste transportation tracking system replication site (Idaho Falls, ID).
- Successfully updated the DOEnet routers and ASA's IOS firmware and configurations. These actions continue to address vulnerabilities and improve troubleshooting capabilities.
- Initiated with the network Carrier and completed a wide area network re-home of circuit paths to alternate primary nodes in order maximize diversity and minimize the impact of circuit outage on an upstream connection to DOE business.

Virus Protection Program Accomplishments

- 82,280 virus encounters, including 42 incidents, were addressed.
- 248,719 unwanted program (including adware and spyware) encounters were addressed.
- 34 decontamination incidents involving 114 systems were addressed.
- 6,400 systems, including 325 servers and 111 VPN users were managed with McAfee ePolicy Orchestrator (ePO) anti-virus architecture.
- McAfee TOPS applications, including anti-virus, anti-spyware, and host-based intrusion protection system (HIPS, including behavior blocker and firewall), was deployed to all DOECOE systems.

Desktop Accomplishments

- Processed 4098 repair, install, upgrade and transport service tickets.
- Completed 260 parts and computer component orders.
- Completed 133 warranty vendor repairs.
- Excessed 2746 pieces of ADP DOE tagged equipment and 140 NON-DOE tagged pieces.
- Provided off-site support for DOE's National Science Bowl.
- Prepared a laptop loaner pool to support the Enterprise Service Center (ESC).
- Coordinated and completed the sanitizing of all ADP equipment stored in the Germantown and Landover Warehouses.

Background

This business line provides network connectivity service for approximately 8,000 users in the Department's Headquarters facilities in Washington, D.C. and in Germantown, Maryland, enabling 100+ organizational LAN segments to interoperate across the MAN which spans 13+ offices in the Washington D.C. metropolitan area. In addition, the LAN interfaces with the Department's WAN providing service and communications links to 40 + field sites, other government agencies and public/private business partners.

The business line also provides Internet connectivity for a majority of DOE HQ customers. It includes services such as:

- Installations, moves, and changes of Network connection and infrastructure components
- Installation and management of the Network circuits connecting the DOE "campus" facilities
- Domain Name Service (DNS) management and maintenance
- Technical personnel to install, manage, and maintain the network infrastructure
- Hardware and software maintenance for all network infrastructure components

In addition, other desktop functions include:

- Managing malware protection software on workstations and servers.
- Investigating and controlling computer viruses and other malicious attacks.
- Decontaminating unclassified systems that have accidentally been contaminated with classified data.

Defining Success

Monthly Performance Metrics for 2007 by Business Line:
DOEHQ Headquarters Backbone Network Connectivity:

Month	Headquarters Backbone Connectivity
Oct	99.98%
Nov	99.98%
Dec	99.98%
Jan	99.98%
Feb	99.99%
Mar	99.98%
Apr	99.98%
May	99.98%
Jun	99.91%
Jul	99.82%
Aug	99.96%
Sep	99.96%
Overall Connectivity	**99.96%**

Network services are a critical element in the ability of all DOE organizations to successfully carry out their missions. The Headquarters network services organization success is measured by our ability to define and provide user service requirements in a time frame that meets their needs and to maintain a reliable service to meet those needs. Network performance statistics provide the key measure of the success of the networking services group. The implementation of Concord NetHealth will enable us to provide daily weekly and monthly network performance reports, including availability, reachability and latency.

Network Connectivity is a measure of availability, latency, and reachability of all headquarters router and switch devices over time. Each device carries a weighted factor based on the number of end users supported relative to total users at Headquarters. We continue to refine our measurement capability and will, over time be able to provide more granular and customer specific data. Connectivity does not attempt to measure or consider anything other than network infrastructure devices (i.e. server and/or application availability are not in the calculation). HQ Network Performance Reports (Daily, Weekly, and Monthly) are posted on the CIO-Ops Web Site at: http://cio-ops.doe.gov/standup/stu_reports.cfm

Internet Service Availability:

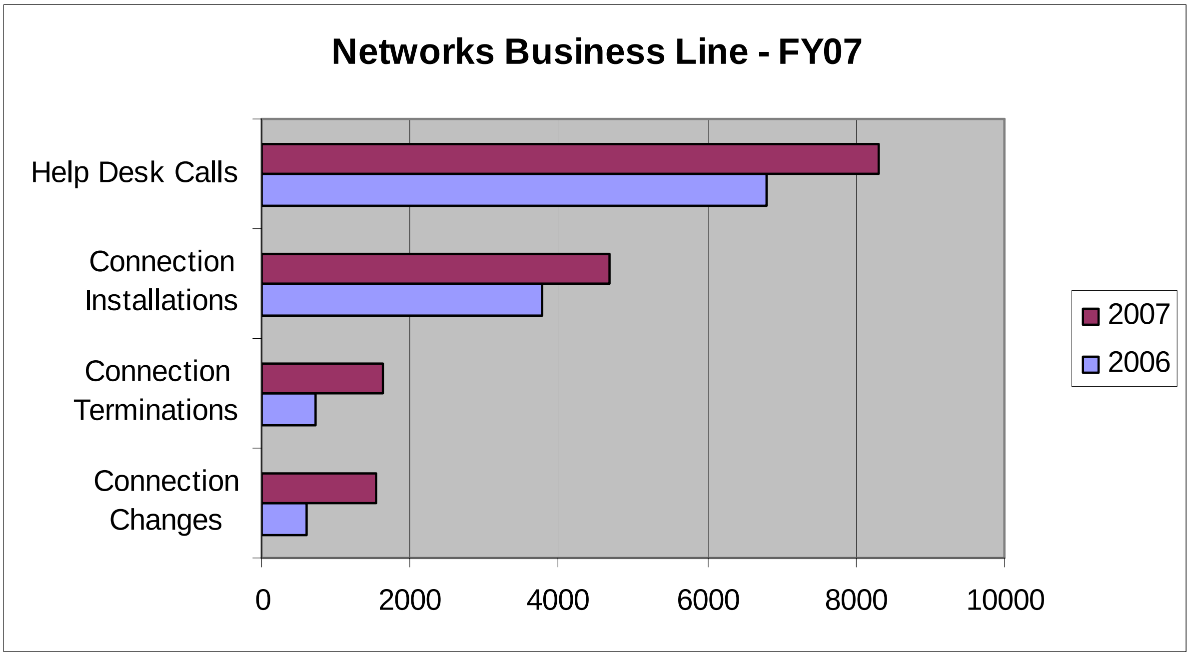
Month	Availability
Oct	100%
Nov	100%
Dec	100%
Jan	100%
Feb	100%
Mar	99.99%
Apr	100%
May	100%
Jun	100%
Jul	100%
Aug	100%
Sep	100%
Overall	**99.99%**

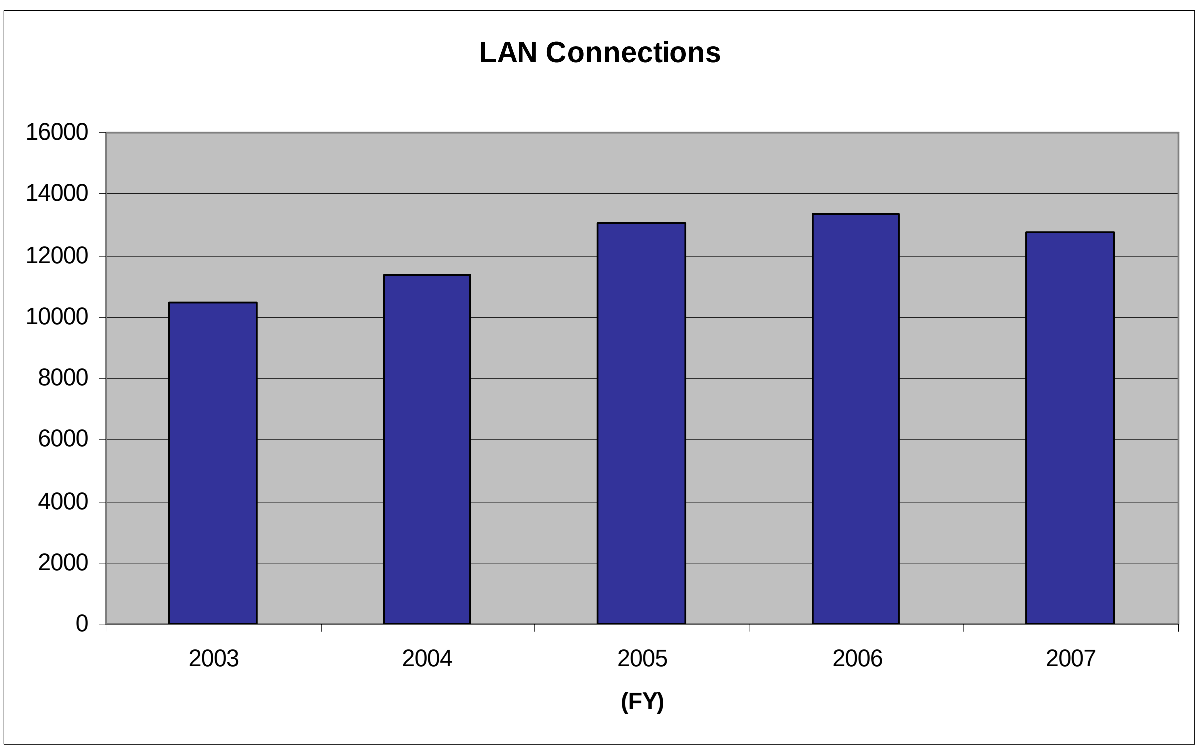
DOEnet Circuit Availability:

Month	Availability
Oct	99.93%
Nov	99.91%
Dec	99.93%
Jan	99.98%
Feb	99.96%
Mar	99.95%
Apr	99.90%
May	99.98%
Jun	99.97%
Jul	99.98%
Aug	99.96%
Sep	99.98%
Overall	**99.95%**

Customer satisfaction is measured by: personal contact with critical customers, help desk feedback on completed trouble tickets, and by direct feedback from users in the form of complaints. Customer satisfaction, measured by these methods, is judged to be very high.

During FY 2007, the Network business line staff responded to the following service calls:





Network connections have increased significantly over the past couple of years largely due to the implementation of various e-government initiatives within DOE. This has caused a significant number of new connections for file servers, web servers and other devices in support of e-government. The increase in help desk calls is a result of a continuing effort to capture all support activities in a help desk ticket.

The number of VPN users has continued to grow over the past year. The ESC Network Operations supported in excess of 5000 tickets during the fiscal year directly related to remote access services.

Financial Performance Overview

The **Network** business line earned $566,946 net operating profit due to operating efficiencies ($0.8 million) and depreciation billing ($0.3 million) offset by cost from a prior period ($0.5million). Operating efficiencies will help offset future capital costs when the phone and network businesses and technology are converged. This year the Desktop business was merged into Network increasing costs and revenues equally by less the $0.8 million. Although there was no impact current net earnings, the Desktop business contributed $-.4 million cumulative net earnings to Network.

Business Line Trends

This business line provides network connectivity service supporting approximately 8,000 users with more than 16,000 network connections. It has upgraded and modernized the network infrastructure to respond to growing customer requirements. The growth of technology, particularly IP-based services (including voice and video), will continue for the foreseeable future. This growth will demand that the network services provided to our customers become more sophisticated, robust and flexible. The Networking Services group is prepared to meet that challenge with adequate network infrastructure cost recovery rates.

The WCF Board voted May 17, 2006, to merge the Desktop with the Network Business. This change was caused by the inception of eXCITE desktop services by CIO Ops, which services include many of the activities previously financed by the Desktop business. Also the Board approved the use of the same billing methodology for charging the remaining desktop activities as are currently used by the Network business. The Board decided that the cost of maintaining a separate business was not warranted. The following services are now part of the Network Business:

<u>Virus Protection Plan</u>: Workload requirements for the Virus Protection Plan continue to increase due to escalated emphasis on cyber security, increased usage of various desktop and server protection tools, and increased targeted attacks by hackers and external elements. Events over the past year have required increased forensics and response capabilities, requiring expanded expertise. Cyber security attacks are expected to increase in volume and sophistication. In return, additional tools and resources will be put in place, requiring monitoring, analysis, and incident response. For instance, Encase Enterprise will be deployed in FY08, and McAfee

management will expand to include other DOE sites. With continued consolidation of host-based cyber security under the Virus Protection Plan, the number of managed systems is increasing and will continue to increase, with an associated elevation in the number of actionable alerts, responses, and incidents. In addition, starting in FY08, the Virus Protection Plan will absorb all decontamination efforts for NNSA

Applix Support: All Headquarters Program Offices DOE-Wide to include Field Sites utilize Applix, which equates to approximately 793 reps with active Applix Id's. Program Offices utilize the Applix application for various functions, including Help Desk, Asset Management, Training, Meet Me Conferencing, Video Conferencing, Configuration Change Management, SLA Metric Measuring and Reporting, Project Tracking, Working Capital Fund and Building Operations, integration with Tivoli, DOEInfo and Sunflower applications. In support of the organizations and the applications they utilize, this support provides client software installation, training, data migration, escalation/notification configuration and on-site support. Additionally, maintenance of the Outlook Mail Box is used for notifications and staff of the Applix Enterprise Help Desk Function (phone and desk side support).

Business Line Plans

The Network business line is growing primarily due to new services offered to existing users. New services include desktop IP video conferencing that will be done over the network, i.e., the LAN; DHCP; improved Internet connectivity; and upgrading existing hardware to permit faster throughput for network users. A five-year plan for the convergence of data, voice, and possibly video networks is being developed as a coordinated effort between the Network and Telephone Business Lines.

The business will continue to evaluate the cost of DOEnet and other services and when warranted reduce costs of service or increase the level of service to meet changes in customer needs and to implement appropriate new technology.

Business Line Manager

Judy Saylor 301-903-4999

WORKING CAPITAL FUND
U.S. DEPARTMENT OF ENERGY

Procurement Management Business Line

FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 1997-2007 *(millions)*
$ 0.7	$1.0	-$ 0.3	$ 0.7

FY 2007 Achievements

- Reduced the number of over-aged instruments by 14% which exceeded our target.
- Returned $9.4 million of deobligated balances to the Department.
- Data mining expanded to all DOE purchase card transactions (3013 cardholders, 40 sites)
- Began mining fleet card transactions

Background

The closeout process assures that all terms and conditions of the instrument have been fulfilled, all financial information has been submitted and evaluated, final payment has been made, any remaining funds have been deobligated, and the instrument is administratively retired from the Procurement Automated Data System (PADS) or the Stand Alone Action & Report Tracking (START) system. The retired instrument is boxed and stored locally or shipped to a federal storage facility. Instrument types include purchase and delivery orders, firm fixed price contracts, interagency agreements, financial assistance, and cost reimbursement contracts.

Defining Success

Retiring targeted instruments and returning unutilized funding balances to the Department.

Contract Closeout Business Balanced Scorecard Objectives

	Customer Provide competent and accurate closeout of targeted instruments.	
Financial Improve the availability of funding to programs.		***Internal Processes*** Improve contract closeout to accommodate changing contract types.
	Learning and Growth Improve knowledge, skills, and abilities of staff and improve business systems that support the business line.	

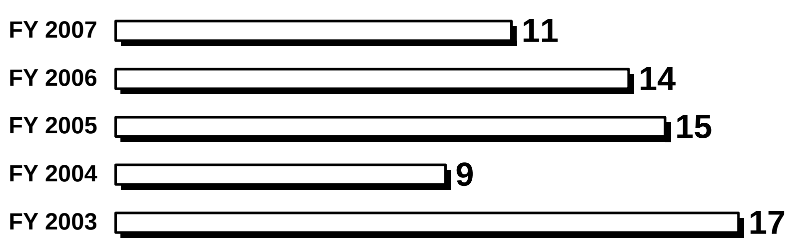
Business Line Projections

The inventory of Headquarters contracts, financial assistance instruments, and interagency agreements awaiting closeout has experienced a steadily decreasing trend during the 11 years that this activity has been a Working Capital Fund business. The inventory has decreased from 2,729 instruments in FY 1996 to 1,057 instruments by the end of FY 2007. During this 11 year span, the Procurement Management business line retired 12,310 instruments. With this reduction in the backlog of expired instruments, the Procurement Management business line is operating with a manageable inventory, as a result of customer/supplier cooperation.

Noteworthy is the business line's success in retiring overage instruments. For FY 2007, the Procurement Management business line achieved a 14% reduction in its universe of overage instruments, where *overage* is defined in the acquisition regulations. At the beginning of FY 2007, the overage universe stood at 89 instruments (contracts, grants, cooperative agreements, interagency agreements, and purchase and delivery orders). The number of overage instruments as of September 30, 2007 totaled 73, a net reduction of 12 overage instruments since October 1, 2006. The universe of instruments decreased from 1,389 to 1,057 as of October 1, 2007.

In FY 2007, the business line activity resulted in a total of $9.4 million of contract deobligations. This returns spending authority to mission programs to apply to high priority needs. As shown in the following chart, there was $11 in deobligations for each $1 in costs.

Contract Closeout Return on Investment
Dollars Deobligated/Dollars Expended



Financial Overview

The **Procurement Management** business line earned -$339,558 net income due largely to a change in the mix of contracts closed out to lower rated items. We believe this loss can be overcome with a simple pricing policy change and a working group has already begun working on a proposal for Board consideration.

Business Line Manager

Jeffrey Rubenstein Jeffrey.Rubenstein@hq.doe.gov (202) 287-1516

Payroll Business Line

FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 1997-2007 *(millions)*
$ 2.1	$ 2.0	$ 0.1	$ 2.0

FY 2007 Achievements

- Improved the process for recording and reconciling payroll transactions in the Standard Accounting and Reporting System (STARS).

- Implemented 3 upgrades to ATAAPS which improved the effectiveness and efficiency of time and attendance data collection.

- Implemented enhancements to Employee Self Service that improved the enrollment process for Subsidy for Energy Employee Transit (SEET) benefits resulting in more accurate data for the payroll accounting process.

- Initiated use of business line funding to advance pay SEET benefits from the Department of Transportation, thereby freeing up appropriated funding.

- Developed and tested enhancements to DOEInfo that replaced the Labor Distribution System in FY 2007 reducing the cost of IT support and improving the efficiency of payroll accounting.

- Sustained 100% on time delivery of employee paychecks.

- 99% of paychecks delivered through electronic funds transfer.

Background

The Payroll Business Line was added to the Fund in FY 1998 to finance the preparation of the biweekly payroll for approximately 12,000 Department of Energy civilian employees.

While the payroll functions were transferred to DFAS in 2003, the Payroll Business Line will continue to be engaged in:

- sustaining and enhancing the IT infrastructure that supports time and attendance data collection,
- performing the payroll customer service functions,
- performing the payroll accounting, and
- working with DFAS to resolve open issues and enhance systems and process.

Business Line Trends

With regard to the timeliness of the payroll process, the Payroll Business Line successfully performed at a 100% performance level as in the previous five years. As noted above, the most noteworthy accomplishment in fiscal year 2007 was the improvement in the process of recording and reconciling payroll data in STARS.

The steady-state cost has leveled off to an annual operating cost level of $1.8 million.

Defining Success

Delivering accurate employee paychecks on time is considered one of the most essential services offered for the Department, and the business line seeks to achieve this success at the lowest possible cost. The Balanced Scorecard objectives in the Payroll 5-year business plan follow:

Payroll Business Balanced Scorecard Objectives

	Customer Ensure that all employees are paid accurately and in a timely manner, and that supervisors and managers receive value-added reports	
Financial Use the DOE financial systems and other payroll information to improve program spending controls.		***Internal Processes*** Evaluate and/or reengineer policies, procedures, and business practices to complement the DOE's system modernization initiative.
	Learning and Growth Develop and implement strategies to deploy technology and training to employees, administrative staff, and supervisors, so that they become integral partners in enhancing the payroll processes.	

FY 2007 Financial Overview

The **Payroll** business line earned $134,877 net income due to continuing savings related to outsourcing the payroll to DFAS.

Business Line Manager

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CHRIS Business Line

FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 2002-07 *(millions)*
$2.2	$ 1.4	$ 0.7	$ 1.8

FY 2007 Achievements

- Completed four intermediate upgrades to PeopleSoft 8.8 to improve productivity and functionality to meet changing OPM requirements.
- Continued a pilot ePerformance Management module to provide strategic alignment between individual performance contracts and organizational goals and objectives.
- Renewed the Cyber Security Certification and Accreditation for CHRIS PeopleSoft, ESS and Hiring Management subsystems.
- Completed improvements to the automated leave request and approval function in Employee Self Service (ESS).
- Completed over 95% of recruitment actions nation-wide by automated system support.
- Completed the design, testing and implementation of FEHB Open Season selections in ESS and renewed the implementation of free use of OPM's Hub to notify carriers electronically. This eliminates the need to mail paper copies and results in expedited open season enrollments so that many employees received their new membership cards two months faster than in previous years.
- Developed enhancements to the notification and tracking system for General Counsel (GC) Standards of Conduct (filings of the 450s and 278s) for use by GC.
- Upgraded to Hiring Management (formerly known as QuickHire) version 4.3 (Xi).
- Redesigned and continued use of a voluntary customer satisfaction survey in ESS for employees to provide instant feedback after using various CHRIS subsystems.
- Modified all subsystems to meet new Personably Identifiable Information (PII) requirements and planned for future modifications.
- Completed enhancements to the PMCDP Administration functions and the Skills Assessment functions in ESS to meet mission support requirements and the e-gov scorecard requirements.
- Redesigned the transportation subsidy application known as SEET and the Forrestal parking database to automate more of the process, meet new cyber-security and PII requirements and enhance management controls to eliminate the risk of misuse of either system.
- Continue to improve the training administration workflow to support the new government provided solution known as ETS.
- Developed SES Talent Profile data repository and reporting system in ESS to support executive level staffing decisions.
- Planned and designed the NNSA Pay Banding Demonstration project which will modify the General Schedule classification and pay system by identifying several broad career

paths, establishing pay bands which may cover more than one grade in each career path, eliminating longevity-based step progression, and providing for annual pay adjustments based on performance. The proposed project will test (1) the effectiveness of multi-grade pay bands in recruiting, advancing, and retaining employees, and in reducing the processing time and paperwork traditionally associated with classifying positions at multiple grade levels, and (2) the application of meaningful distinctions in levels of performance to the allocation of annual pay increases under the General Schedule.

- Completed a CMMI review for software development processes and policies and implemented adjustments to create mature, sustainable processes.
- Completed 10,212 mass pay actions and 8,332 mass awards and 6,088 mass performance ratings from October 1- September 30, 2007.
- Completed 15 mass reorganization actions.
- Automated CHRIS forms to streamline processing to reduce errors in submission via written requests.
- Responded to 1,890 customer emails and/or phone calls requiring assistance from our HR Hotline.
- Completed the joint design and implementation of the new CHRIS / STARS interface. This change has significantly reduced the incidence of errors due to STARS not knowing what CHRIS was doing. A major part of that is the use of the STARS vendor table instead of the CHRIS vendor table. Kick-outs due to bad vendor data are almost down to nothing. In addition, the addition of the EIN field to the STARS vendor table search screen insures that if a vendor is listed they will be found and if not, we know for sure that they need to be added to the table. This has saved much valuable time for ETS service providers and increased customer satisfaction levels for training functions.

Background

The Corporate Human Resource Information Systems (CHRIS) is a portfolio of nation-wide operational systems within the Department of Energy that serve as the official system of record for human resource management information for all DOE employees. CHRIS has been operational since September 1998 and continues to evolve as the corporate solution for many strategic and operational human capital management issues. The CHRIS project supports the Administration's strategic human capital management initiative and expands e-government within DOE. The CHRIS enterprise solution combines the highly skilled professionals of the Department with electronic workflow and other best practices in work processes with a web-based IT architecture and suite of software applications based on a world class commercial off-the-shelf (COTS) product (PeopleSoft 8.8), Monster's Hiring Management and other web-based software applications.

The CHRIS project has expanded over the years to include an integrated modernization approach to meet human resource, training administration and information processing requirements; Employee Self-Service capabilities; an automated on-line vacancy application system based on Hiring Management, critical core competency certification processes, SF-52 tracking and on-line paperless transaction requests with electronic signatures (workflow).

CHRIS is a mixed life-cycle portfolio. Each year, DOE extends the functionality of the systems. The project core is in operations and maintenance mode while the new functionality is going through the development part of the project life-cycle. System activities under the CHRIS umbrella include interface with the payroll system at DFAS; development and implementation of PeopleSoft COTS to support personnel and training processing and information; provision of Employee Self-Service (ESS) which provides web-based access at the employee desktop to personnel and payroll information and the capability to update certain personal information; and interfaces with DOEInfo, the Department's data repository for human resource and payroll information and STARS, the financial management and reporting system. The automated recruitment system uses Hiring Management formerly known as QuickHire to provide for the electronic processing and assessment of applications and resumes. This application is interfaced with OPM's Recruitment One Stop system as part of the e-government initiatives.

The CHRIS Project Staff members continue to serve on the HR Line of Business Task Forces for which OPM is the implementing partner. Through participation, we are able to keep up with and influence the direction of the Line of Business. OPM has formed a Multi-Agency Executive Steering Committee to move the project forward and DOE representatives serve on the committee.

Business Planning:

There is a government-wide review of HR systems and services to consolidate those services in a small number of service providers known as HR Line of Business or HRLOB. This is similar to the effort in federal pay services and the Financial Management Line of Business. DOE has proposed funding in its current I-MANAGE Exhibit 300 for planning the transition to a shared service center or other source in FY 2009 and for transition in FY 2011 or later.

Defining Success

The goals of the CHRIS Systems are to provide the highest quality human resource management information and services to the Department of Energy's managers, employees and human resource/training professionals to support sound human resource management decisions and to operate the official HRM system of record in a cost-efficient manner.

To achieve these goals, the Department's primary objectives for CHRIS are to:

- provide superior customer service through strong teamwork, effective problem solving and timely responses
- protect the integrity and security of the HRM data
- enhance operational efficiencies
- reduce paperwork
- support the elimination of redundant information systems, and
- eliminate non-value added work

Specific Performance Metrics for FY 2007:

- Use the automated recruitment system based on Hiring Management (QuickHire) for at least 85% of all actions. (Actual 95%)
- At least 95% of all offices have access to electronic workflow functionality. (Actual 100%)
- Maintain a system uptime during prime working hours that exceeds 98% for all major subsystems of CHRIS. (Actual 99.9 %)

Financial Overview

The CHRIS business line earned $0.7 million. Significant savings have accrued to the business line from one-time transfers from program offices in FY 2007 ($0.3 M), salary lapses from senior contractor staff ($0.2 M), cost savings from large hardware purchases ($0.4 M) and one time capital transfers from the Working Capital Fund ($0.7 M) from pre FY 2002 funds. These funds have allowed the business line to maintain a constant pricing policy with no increases since FY 2002 while increasing the functionality and services provided to customers. Any accumulated earnings will need to be used for the various analytical and planning tasks associated with the planned migration to the HR Line of Business in the FY 2011-12 timeframe as well as for current services that are increasing in costs each year. Examples of planned analyses for HR LOB include an extensive gap analysis and cost-benefit study to inform the DOE decision process. There will be extra unfunded expenses likely during the transition such as extra testing, data conversion, and contractor support. These funds serve as a management contingency fund to protect WCF customers against the financial risk of large, one-time “taxes” to fund these complex, near-term requirements.

Business Line Manager

Michael B. Fraser 202-586-1910

Corporate Training Services Business Line

FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 2002-6 *(millions)*
$0.3	$ 0.3	$ 0.0	$ 0.1

FY 2007 Achievements

Online Learning Center^2

- Supported the Secretary of Energy Task Force by creating and deploying *the Personnel Security Awareness Briefing* training course in the OLC^2.
- Developed and deployed 2007 Annual Ethics Training for 5000 users
- Supporting the Homeland Security Presidential Directive 12 Personnel Identification Verification (HSPD-12 PIV) launching 6 training modules for ~1200 users
- Project Management Career Development Program uses the Teaming Center function, to provide a blended-learning environment for DOE Employees.

FY2007 OLC^2 Statistics

- 17,262 courses completed by 11, 948 distinct users
- 12,642 courses in progress (started but not completed)

Training Delivery Services

- Managed 35 sessions of the Performance Management workshop in partnership with The Office of HCM Employee and Labor Relations Division to meet a September 30, 2007 requirements deadline. These sessions provided training to nearly 1000 managers and employees to date.
- Delivered 91 courses in FY'07 from our master Professional Skills and Technical Training Contract with Colleague Consulting.
- Developed five new course deliveries using the existing DOE Professional Skills and Technical Training Contract with Colleague Consulting.

Background

Online Learning Center^2

The vision of the DOE Energy Online Learning Center^2 (OLC^2) is to provide the entire DOE Community with needs based, technology enriched, learning development and knowledge management opportunities through implementation of efficient and effective blended e-learning strategies and solutions. The Energy OLC^2 has been structured to meet DOE needs with a customized access process and DOE specific content and information.

The Energy OLC^2 is a commercial learning management system (LMS) that has the ability to integrate web-based training with instructor lead training (ILT), management of competencies, training resources, and facilities. The OLC^2 provides employees Department-wide with 24x7 access to online learning, knowledge, and career management opportunities. The OLC^2 was deployed across the DOE in June 2005. Currently the OLC^2 is use as a Working Capital Fund business line for user subscriptions. Subsequently, the program was fully implemented in FY2002. The objective of the OLC^2 program is to provide the capability for all DOE Federal Employees to have access to web-based training via the desktop. The OLC^2 provides access to over 2,700 self-paced business, management, leadership, and information technology courses to all DOE employees. DOE offices support the Energy OLC^2 through purchasing access to COTS courses and paying a prorated amount for user access fees and maintenance support. There are also DOE-specific courses that have been made available to employees. Additional mission related DOE courses and content developed in the DOE learning content management system currently being implemented and will be posted on the Energy OLC^2 in the future.

In addition to online learning, the OLC^2 offers other functions to include management of training equipment resources, reservation of facilities, competency functionality, and soon will have the ability to create DOE custom courses and provide access via the OLC^2.

Training Delivery Services

The Professional Skills and Technical Training Program is responsible for the design, development, and delivery of competency-based courses to meet critical DOE skill development needs. In addition to our course offerings, the Professional Skills and Technical Training Program can provide a variety of ancillary support services to DOE organizations. These services include training needs assessments, competency development, training and development business plans, and evaluation activities.

The Program currently lists over 101 courses in five basic curricula: Acquisition Management; Program Management; Project Management; Technical; and Interdisciplinary Skills. They are presented from a complex-wide perspective to support standardized implementation of policies and procedures in meeting DOE's performance objectives. However, specific course material can be adapted or tailored to meet individual site, program, or project objectives for each organization. To obtain a copy of the most current Professional Skills and Technical Training Program course schedule, please go to the Enterprise Training Services web-page at http://ets.energy.gov**.** Additional course information and available ancillary services can be obtained at ETSSupport@hq.doe.gov, or (202) 586-9366.

Defining Success

Online Learning Center^2

The OLC^2 supports DOE mission related programs by delivering training to the Desktop for real-time skills enhancement and formal training at low cost and with little disruption to the employee's workplace. With the migration to the new OPM supported OLC^2 in June 2005:

	FY 2005	FY 2006	FY 2007

Number of active users	11,003	7,400	11, 948
Number of course completions	13,488	14,266	17,262

<u>Training Delivery Services</u>

The Professional Skills and Technical Training Program seeks to improve DOE's professional performance through development and delivery of the most cost-effective, requirements-driven training program. The requirements nature of the contract applies to those training curricula, topics, and courses where the Department seeks to ensure consistency of certification, content, and cost. We use the following FY **2007** metrics to measure our performance:

	FY 2004	**FY 2005**	**FY 2007**
Number of participants	617	393	**1820**
Number of course completed	50	29	**91**

Corporate Training Services Business Balanced Scorecard Objectives

	Customer	
	Provide high quality, standardized, cost-effective learning opportunities on a much timelier basis.	
Financial		***Internal Processes***
Provide a low cost training alternative to program offices.		Review options for delivering training to the DOE.
	Learning and Growth	
	Ensure that learning and growth occurs continuously.	

Financial Overview

Corporate Training Services operations broke even for FY 2007 in full compliance with Congressional and WCF Board policies.

Business Trends

The business would like to discuss extending the WCF Corporate Training Services Business Line, Training Delivery Services to field sites. This recommended will support a more efficient business structure for billing and charging organizations outside of Headquarters. A meeting will be held to discuss the feasibility of this request with the WCF Office.

The WCF working group that reviewed the cost structure of the Training Delivery Services business line and determined that an increase would make the business line viable and remain a competitive option for users. The increase in billing from $100 to $230 per day allows for a more robust schedule and a reasonable return on investment. This business line supports some of the operations of the new Enterprise Training Services organization (Most Efficient Organization resulting from the Training A-76 Study) beginning in FY 2007.

Business Line Manager

Cheri Dent 202.586.9556.

Project Management Career Development Program

FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 1997-2007 *(millions)*
$ 1.0	$ 2.1	-$ 1.1	-$ 0.1

FY 2007 Achievements

- Completed certification of 41 Federal Project Directors who were certified by DOE/NNSA. Including reported attrition, a total of 230 persons certified were on board as of September 30, 2007.
- An Additional 37 Information Technology Federal Project Directors were certified by the Office of the Chief Information Officer. Including reported attrition, a total of 116 certified Information Technology Federal Project Directors were on board at the end of FY 2007.
- Conducted 10 Certification Review Board meetings.
- Conducted approximately 43 PMCDP course sessions attended by approximately 770 participants.
- Completed two prototype deliveries of course sessions.
- Conducted a DOE O 361.1 PMCDP Review Workshop.
- Executed design enhancements of PMCDP ESS system, which implemented an electronic corporate database of critical core competencies of DOE/NNSA federal project directors.
- Completed needs assessment data call of program customers across the DOE/NNSA complex.
- Implemented partnership between DOE and Boston University for a Masters of Science in Project Management program that allows fulfillment of some degree requirements by completion of PMCDP courses.
- Executed renewal of DOE Registered Education Provider (R.E.P.) status with the Project Management Institute (PMI). By the end of FY 2007, twenty-one DOE courses were externally reviewed by PMI and awarded Professional Development Units (PDUs).

Background

In 1998, DOE defined its acquisition workforce to include contract specialists/contracting officers, purchasing agents, financial assistance specialists, property managers, and project directors under DOE's umbrella directive DOE O 361.1, Acquisition Career Development Program, dated 11-10-99, establishing training and certification requirements for the acquisition workforce. On January 17, 2001, the Deputy Secretary of Energy directed the DOE Office of Engineering and Construction Management (OECM) to establish the DOE PMCDP. This program has defined necessary DOE project management knowledge, skills, and abilities; DOE project management training requirements; a DOE career development tracking system; and a DOE project management certification program. The Deputy Secretary directed OECM to develop a PMCDP module to be included in DOE O 361.1, as a component of the DOE acquisition workforce program. The PMCDP Module establishes a well-defined career path for project directors that include certification, minimum training and continuing education requirements, and project responsibilities that are commensurate with clearly defined qualifications.

The Project Management Career Development Program (PMCDP) encompasses a wide range of developmental, mentoring, training, and rotational activities, which, lead to certification, based upon competencies commensurate with a specific performance level that is tied to the Total Project Cost (TPC), managed. This program is also designed to satisfy other requirements, such as Information Technology Project Management and Acquisition Career Management Program certifications, which are based on different thresholds and regulatory requirements.

The PMCDP currently offers 28 training courses, six developmental activities, and experiential components of varying complexity based on certification level. Additionally, PMCDP offers other functions such as:

- courseware research and development,
- courseware prototype and delivery,
- curriculum management,
- project management research and development,
- certification management,
- evaluation,
- market research and marketing,
- capabilities such as DOE standards and guidelines, technical papers, presentations, workshops, seminars, videos, and web-based applications,
- continuing education.

The PMCDP Business Line also supports two additional specialized courses in the areas of:

- Real Property Asset Management, and
- Program Management Fundamentals.

These two courses are not a part of a certification program; however, they can be applied toward continuation education for project management certification.

For more information on the PMCDP, visit the Office of Management home page at http:/management.energy.gov/project_management.htm.

Defining Success

The Department recognizes the criticality of successful projects. Consequently, successful management of projects and the development of project directors has become a focal point of improvement efforts and is a key goal of PMCDP and the associated Business Line. To ensure that the PMCDP Business Line provides outstanding services to its customers, process controls have been implemented that emphasize management and intra-office involvement on key business/customer outcomes and processes. The design of PMCDP builds on research from benchmarking project management practice and standards in industry and other federal agencies, as well as, incorporating key findings from studies conducted by stakeholder groups and organizations as they impact agency related project management.

Financial Overview

The **PMCDP** business line earned -$1,076,121 net income. This is due in part to prior year costs ($0.8 million) that are related to FY 2006 activities and in part to one time costs that will not recur in FY 2008. There is no need for a pricing policy review at this time.

Business Line Manager

Wanda Chambers Steinberg (202) 586-8114

STARS Business Line
FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 1997-2007 *(millions)*
$4.0	$5.0	-$ 0.9	$ 0.4

FY 2007 Achievements

- STARS Team visited several field offices to provide additional training, and assistance in correcting edits and Undelivered Orders (UDO) issues.
- Made/implemented recommendations to the UDO Issue Resolution Team that significantly reduced the number of issues to be researched and improved the cleanup activity.
- Automated a new process to de-obligate stale Travel and Training obligations in STARS to reduce manual effort and mitigate critical UDO issues identified during the financial statement audit.
- Participated in the 2007 Information Technology audit with the Office of the Inspector General and KPMG to discuss STARS processes and procedures, which resulted in no STARS audit findings.
- Prepared/presented STARS training to the Office of the Inspector General.
- Implemented measures to capture required data for the Financial Management Line of Business (FMLoB) Financial Services Metrics. These metrics are designed to help identify opportunities to improve the performance and affordability of the financial services provided by Shared Service Providers.
- Developed/implemented a new interface, Corporate Billing Account (CBA), to generate receipts and invoices for all travel related charges and fees applied to the Corporate Billing Account. In addition, the GOVTRIP Authorization and Voucher interfaces were modified to reflect and accommodate all CBA expenses.
- Enhanced the Corporate Human Resource Information System (CHRIS) interface to incorporate STARS values to assist the Training Coordinators in selecting the correct values. This enhancement significantly reduced the transaction error rate experienced with this interface resulting in manual effort to research and resolve issues.
- Automated the Accounts Receivable Refund Process. This enhancement automatically determines when refund cash receipts have been entered and generates the corresponding credit memos and return receipts eliminating an extremely labor intensive process.
- Maintained a secured environment by implementing Oracle Security Patches. These security patches are released quarterly, tested, and routinely implemented. The January 2007 patch set required an upgrade to JInitiator, which enables end users to access Oracle applications. This upgrade was communicated to all field technical points of contact several weeks before the planned implementation, and users were also notified prior to implementation.

- Continued collaborative efforts with the I-MANAGE Data Warehouse (IDW) to ensure reporting integrity and explore alternatives to improve timeliness of reporting to end users.
- Migrated Headquarters and NNSA-Albuquerque legacy DISCAS/MARS into the IDW to support historical reporting.
- Acquired new software to innovate reporting, dashboarding and integration with Microsoft Office; while also reducing existing software licensing costs.
- Continued IDW on-site sessions with Program/Field Offices to provide ongoing assistance.
- Expanded IDWs training offering to include a data focused session aimed at Funds Control and answering the fundamental question of "How much money do I have left to spend".
- Expanded IDWs report offerings and capabilities to meet user demands.
- Began working with selected Headquarters Program Offices to help them reduce their need for a separate internal system financial reporting systems.
- Expanded IDW utilization rate with the number of users, Currently, over 400 distinct users a month with over 9,000 reports being run a month.
- Conducted quarterly Program/Field Office Working Group meetings to ensure customer satisfaction and open communications with IDWs stakeholders. Additionally, IDW has assigned a direct point of contact on the IDW team for each program office and field site. This direct communication path has proven to be invaluable in creating good will with the customers.

Background

The Standard Accounting and Reporting System (STARS) provides the Department with a modern, comprehensive, and responsive financial management system that records and processes accounting transactions for general accounting, payments, receivables, purchasing including obligations and reservations, accruals, plant and capital equipment, nuclear materials accounting and many other functions. STARS is used for external financial reporting including FACTS I & II, SF 220.9 and SF 224. In addition to STARS, the I-MANAGE Data Warehouse (IDW) provides user access to financial and corporate business data and reporting.

Defining Success

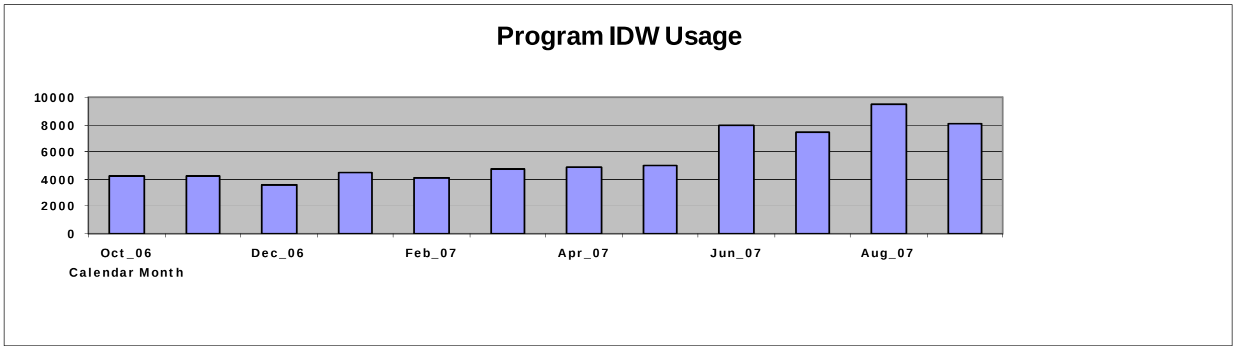
The primary goal of the STARS and IDW is to provide timely and accurate financial data and reports for Departmental financial management is decision-making. The STARS also supports the day-to-day accounting operations for the Department. The IDW also provides capabilities to integrate financial, budgetary, procurement, personnel, program, and performance information for management reporting and decision-making.

Success is currently being measured using:

- HelpDesk information/statistics
- User Feedback from the Program Office and Field Office Working Groups

- Audit Opinion on Financial Statements/Audit Findings
- Quantifiable metrics related to accounting operations such as payment and travel processing, month-end/year-end closing, internal/external reporting due dates
- System performance/availability/usage statistics

STARS and the IDW are continuing to implement enhancements to improve efficiency and to develop strategies and metrics to improve/ensure customer satisfaction.



Financial Overview

The **STARS** business line earned -$969,756 income, due in part to prior year costs that were reported this year, and planned spending that exceeded the businesses billing to customers. The operating level of this business exceeds earnings by $1 million, which was recognized this year when the WCF Board increased its pricing policy to $4.5 million for FY 2009. In FY 2007 and FY 2008 this shortfall will largely be offset by investments by the Office of Chief Financial Officer.

Business Line Manager

Warren L. Huffer 301.903.3761

Financial Reporting Assessment Business Line

FY 2007 Annual Report

Financial Summary

FY 2007 Earnings *(millions)*	FY 2007 Expenses *(millions)*	Net Earnings FY 2007 *(millions)*	Net Earnings FY 1997-2007 *(millions)*
$ 2.9	$ 2.0	$ 0.9	$ 0.9

FY 2007 Achievements

- Aggregated Department-wide assurance statements that will be used as the basis of the Secretary's assurance on the effectiveness of internal control over financial reporting
- Resolved FY 2006 material weaknesses related to financial statement compilation reconciliations and undelivered orders
- Ensured that site contractors completed their baseline assessment of all high, medium and low risk activities by FY 2007, per the Department's commitment to the Office of Management and Budget (OMB)
- Developed an approach to cyclical risk-based testing that is consistent with OMB requirements and is seamlessly integrated with the Department's A-123 methodology. This approach (consisting of a Microsoft Excel-based tool and related guidance) will be implemented by site contractors in FY 2008 and Federal locations beginning in FY 2009
- Conducted A-123 reviews of selected Headquarters, Field Office and site contractor elements
- Provided direct implementation support for affected Headquarters and field elements
- Developed and deployed a reporting suite that provides A-123 implementers with the capability to more fully analyze A-123 data and generate standard and customized reports
- Developed and deployed video-based training modules on selected A-123 topics

Background

The mission of the Financial Reporting Control Assessment Business Line (Business Line) is to enable the Secretary of Energy to provide an annual assurance on the Department of Energy's (Department) internal controls over financial reporting. This annual reporting requirement is driven by recent changes to Office of Management and Budget (OMB) Circular A-123; specifically, the addition of Appendix A, *Internal Control over Financial Reporting*.

The short-term vision of the Business Line is to provide the foundation for the Secretary's annual assurance on the effectiveness of the Department's internal control over financial reporting. The Business Line does this by supporting Department-wide implementation of A-123 requirements, specifically by developing corporate:

- Guidance, such as A-123 "Quick Start Guides" and related templates
- Tools, such as the A-123 Assessment and Reporting Tool (AART) and the AART Reporting Suite

- Support, such as the A-123 Help Desk and A-123 training

Additional information is available at http://www.cfo.doe.gov/progliaison/doeA123/index.htm.

Defining Success

The performance of the Business Line, as well as the progress against achieving the near-term vision, will be monitored through the BSC.

- **Customers:** This perspective captures the Business Line's ability to provide quality financial reporting to the Department's internal customers. Customers generally include the Department's A-123 Senior Assessment Team (SrAT) and the Lead Program Secretarial Offices (LPSO), "Corporate Departments[1]," field offices and site contractors that are conducting evaluations of internal controls over financial reporting in support of the Secretary's annual assurance. The objective of this perspective is to support customer efforts to assure the integrity of their respective financial reporting activities.

- **Financials:** This perspective captures the Business Line's ability to provide quality financial reporting to the Department's external stakeholders. Stakeholders generally include OMB, Congress and others with an interest in the Department's financial management. The objective of this perspective is to support Departmental efforts to assure the overall integrity of its financial management activities.

- **Internal Business Processes:** This perspective captures the Business Line's ability to identify emerging issues impacting the corporate A-123 Program and address them in a timely and proactive fashion. The objective of this perspective is to continually improve the management and implementation of the Department's A-123 Program.

- **Learning and Growth:** This perspective captures the Business Line's ability to be aware of and adapt to changes in the general environment impacting the Department's implementation of A-123. The objective of this perspective is to continually improve the skill sets of the PMT.

Financial Overview

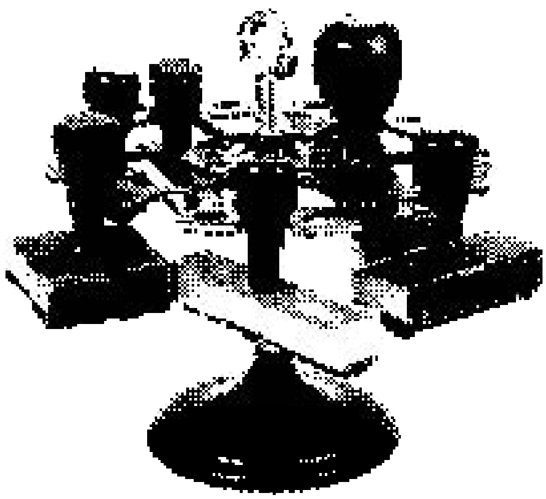
Financial Reporting Control Assessment (A-123) business line experienced net earnings of $933,729 due to delays in initial operations caused by the continuing resolution. Spending is accelerating though $1 million per quarter beginning the fourth quarter of FY 2007.

Business Line Manager

Brian Boos 301.903.3858

[1] Corporate Departments are the: Office of the Chief Information Office, Office of Engineering and Construction Management, and Office of Procurement and Assistance Management

Appendices



DEPARTMENT OF ENERGY
WORKING CAPITAL FUND
FY 1997 - FY 2007

	Cumulative	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000	FY 1999	FY 1997
Revenues ($million)											
Supply	$ 13.1		$ -	$ -	$ -	$ -	$ -	$ 2.0	$ 2.8	$ 3.0	$ 2.6
PAPERCLIPS	$ 19.0	3.0	3	3.0	2.8	2.4	3.3	1.5	0.0	0.0	0.0
Mail	22.3	2.0	2.1	2.0	2.4	2.6	2.0	0.7	1.6	2.7	2.2
Copy	26.3	2.2	2.6	2.4	2.2	2.4	2.0	1.8	2.7	3.1	2.2
Print	36.4	2.5	2.7	3.9	3.1	2.8	3.2	3.1	3.5	4.4	3.9
Bldg	662.0	69.4	64.7	66.3	62.9	58.9	56.7	56.4	57.4	57.4	56.4
Phone	80.2	8.1	8.8	8.4	8.2	6.5	6.8	6.8	7.0	6.3	6.8
Desk	13.0	0.0	0.9	0.9	0.9	1.1	1.2	1.2	1.4	1.6	2.3
Netwk	55.5	6.6	5.9	6.0	5.9	6.2	6.2	6.2	3.2	3.1	3.1
Audit	9.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.1
Proc Services	8.0	0.7	1.0	1.1	1.0	0.8	0.7	0.7	0.5	0.6	0.4
Payroll	22.4	2.1	2.2	2.1	2.1	1.4	3.1	3.1	2.2	2.1	0.0
CHRIS	13.2	2.2	2.2	2.2	2.2	2.2	2.2	0.0	0.0	0.0	0.0
Corp Training	2.3	0.3	0.2	0.7	0.5	0.3	0.3	0.0	0.0	0.0	0.0
PMCDP	6.0	1.0	1.1	1.4	2.5	0.0	0.0	0.0	0.0	0.0	0.0
EIS	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
STARS	7.5	4.0	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A123	2.9	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	$ 999.2	$ 107.0	$ 100.9	$ 100.3	$ 96.7	$ 87.6	$ 87.7	$ 83.5	$ 82.5	$ 84.3	$ 89.0
Costs ($million)											
Supply	$ 14.1		$ -	$ -	$ -	$ -	$ -	$ 2.4	$ 3.2	$ 2.4	$ 3.4
PAPERCLIPS	19.2	3.1	2.9	3.2	2.8	2.4	3.3	1.5	0.0	0.0	0.0
Mail	21.8	1.8	2.1	2.0	2.2	2.1	2.4	0.8	2.0	2.7	1.9
Copy	25.6	2.4	1.7	2.2	2.4	2.6	3.1	1.4	2.6	2.8	2.1
Print	36.3	3.9	3.0	2.8	2.9	2.8	3.2	2.6	3.5	4.4	4.4
Bldg	655.1	71.0	65.1	64.5	64.2	59.0	55.1	51.7	57.6	56.0	56.8
Phone	86.4	5.9	9.7	8.1	7.6	6.2	14.3	6.6	7.0	7.2	6.6
Desk	13.5	0.0	0.8	1.0	1.0	1.1	1.2	1.3	1.5	2.6	2.4
Netwk	48.9	6.1	1.8	5.3	5.6	5.6	6.1	7.0	3.2	2.5	2.7
Audit	9.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.1
Proc Services	7.2	1.0	0.8	0.9	0.8	0.6	0.7	0.6	0.5	0.6	0.4
Payroll	20.4	2.0	1.8	1.8	2.2	2.1	1.6	2.1	2.5	2.9	0.0
CHRIS	11.3	1.4	2.5	1.2	1.9	2.4	1.9	0.0	0.0	0.0	0.0
Corp Training	2.2	0.3	0.2	0.7	0.5	0.2	0.3	0.0	0.0	0.0	0.0
PMCDP	6.1	2.1	0.7	2.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0
EIS	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
STARS	7.1	5.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A123	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	$ 977.3	$ 108.0	$ 93.1	$ 95.7	$ 95.4	$ 87.1	$ 93.2	$ 78.0	$ 83.8	$ 84.2	$ 89.7
Net Earnings ($million)											
Supply	$ (1.0)		$ -	$ -	$ -	$ -	$ -	$ (0.4)	$ (0.4)	$ 0.6	$ (0.8)
PAPERCLIPS	-0.2	-0.1	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mail	0.5	0.2	0.0	0.0	0.2	0.5	-0.4	-0.1	-0.4	0.1	0.4
Copy	0.7	-0.1	0.9	0.2	-0.2	-0.2	-1.1	0.4	0.1	0.3	0.1
Print	0.1	-1.4	-0.3	1.1	0.1	-0.1	0.0	0.5	0.0	0.0	-0.5
Bldg	6.9	-1.6	-0.4	1.8	-1.4	-0.1	1.6	4.8	-0.2	1.3	-0.4
Phone	-6.2	2.2	-0.9	0.3	0.6	0.3	-7.5	0.2	0.0	-0.9	0.2
Desk	-0.4	0.0	0.1	-0.1	-0.1	0.0	0.0	-0.1	0.0	-1.0	-0.1
Netwk	6.6	0.6	4.1	0.7	0.3	0.7	0.1	-0.8	0.0	0.5	0.4
Audit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proc Services	0.7	-0.3	0.2	0.2	0.2	0.2	0.0	0.1	0.0	0.0	0.0
Payroll	2.0	0.1	0.4	0.3	-0.1	-0.7	1.5	1.1	-0.3	-0.8	0.0
CHRIS	1.9	0.7	-0.3	1.0	0.3	-0.2	0.3	0.0	0.0	0.0	0.0
Corp Training	0.1	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
PMCDP	-0.1	-1.1	0.4	-0.6	1.2	0.0	0.0	0.0	0.0	0.0	0.0
EIS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
STARS	0.4	-1.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A123	0.9	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	$ 21.9	$ (0.8)	$ 7.8	$ 4.6	$ 1.3	$ 0.6	$ (5.5)	$ 5.7	$ (1.3)	$ 0.1	$ (0.7)

Department of Energy
Working Capital Fund
Balance Sheet
Comparative Statements
(in thousands)

Assets	**FY07**	**FY06**	**FY05**	**FY04**	**FY03**	**FY02**	**FY01**	**FY00**	**FY99**	**FY97**
Fund Balance with Treasury	$ 76,820	$ 66,279	$ 66,103	$54,774	$50,179	$48,197	$37,455	$30,168	$26,551	$22,086
Accounts Receivable, Net	179	173	-	2	0	11	561		-	1,321
Advances and Prepayments	325	88	203	222	200	134	156	455	601	
Supplies Inventory	271	39	124	274	217	179	169	759	1,099	1,207
Property and Equipment, Net	624	79	154	694	1,066	1,680	11,603	12,534	12,489	12,135
Total Assets	78,218	66,658	66,584	55,966	51,662	50,201	49,944	43,916	40,740	36,749
Liabilities										
Accounts Payable	19,255	12,521	19,649	14,202	13,246	15,194	15,355	13,523	12,247	17,532
Unearned Advances from Customers	23,943	18,612	17,245	16,195	15,223	12,324	6,261	7,450	4,118	2,701
Contract Holdbacks	5	129	129	127	133	195	156	61	126	52
Total Liabilities	43,203	31,262	37,023	30,524	28,602	27,713	21,772	21,034	16,491	20,285
Net Position										
Total Invested Capital	35,466	29,563	25,432	19,613	18,545	18,545	18,545	18,545	18,545	17,350
Total Cum Results of Operations	(452)	5,832	4,129	5,829	4,515	3,943	9,627	4,337	5,704	-886
Total Net Position	35,014	35,395	29,561	25,442	23,060	22,488	28,172	22,882	24,249	16,464
Total Liabilities and Net Position	$78,218	$66,657	$66,584	$55,966	$51,662	$50,201	$49,944	$43,916	$40,740	$36,749

UNAUDITED

U. S. Department of Energy
Balance Sheet
Detailed Statement

89X4563 Intragovernmental Funds: Working Capital Fund

	As of September 30, 2007		As of September 30, 2006	
ASSETS:				
Fund Balance with Treasury (SGL 1010) (cash available to spend)		$76,819,893.07		$66,278,509.52
Accounts Receivable, Net (SGL 1310R) (amounts due from non-Fed. sources)		(8,354.42)		(5,524.70)
Accounts Receivable, Net (SGL 1310E) (refunds due from non-Fed. sources)		187,079.87		178,377.50
Advances and Prepayments (SGL 141002) (postage payments made in advance)		324,521.00		88,001.00
Supplies Inventory (SGL 151132) (amount in supplies inventory)		270,741.00		38,988.00
Property and Equipment, Net				
Original Purchase Price of Property and Equipment				
Purchase Price of Communications Systems (SGL 1740)	19,856,579.03		19,856,579.03	
Purchase Price of Heavy Mobile Equipment (SGL 1750)	84,414.37		84,414.37	
Purchase Price of Motor Vehicles (SGL 1750)	61,223.14		61,223.14	
Purchase Price of Office Furniture & Equipment (SGL 1750)	110,165.00		110,165.00	
Purchase Price of Shop Equipment (SGL 1750)	34,441.02		34,441.02	
Purchase Price of Automatic Data Processing Equipment (SGL 1750)	862,089.65		862,089.65	
STARS Automated Entries with Non-Attributable P&E (SGL 1750)	678,655.46		0.00	
Total Purchase Price	21,687,567.67		21,008,912.21	
LESS: Accumulated Depreciation of Property and Equipment				
Accum. Dep. of Communication Systems (SGL 1749)	19,856,579.03		19,856,579.03	
Accum. Dep. of Heavy Mobile Equipment (SGL 1759)	84,414.37		84,414.37	
Accum. Dep. of Motor Vehicles (SGL 1759)	61,223.14		61,223.14	
Accum. Dep. of Office Furniture & Equipment (SGL 1759)	103,356.37		110,165.00	
Accum. Dep. of Shop Equipment (SGL 1759)	34,441.02		34,441.02	
Accum. Dep. of Automatic Data Processing Equipment (SGL 1759)	719,877.48		782,840.58	
STARS Automated Entries with Non-Attributable P&E (SGL 1759)	203,837.29		0.00	
Total Accumulated Depreciation	21,063,728.70		20,929,663.14	
		623,838.97		79,249.07
TOTAL ASSETS		78,217,719.49		66,657,600.39
LIABILITIES				
Accounts Payable (SGL 211009)) (amounts owed to non-Federal sources)		1,419,109.63		2,935,318.92
Accounts Payable (SGL 211001) (amounts owed to Federal sources)		0.00		310.79
Accounts Payable (SGL 211005) (inter-field office)		0.00		0.00
Accounts Payable (SGL 212009) (Disbursements in Transit, All Other)		0.00		0.00
Other Liabilities (SGL 2190)		17,836,640.70		9,585,393.80
Advances from Others - Other DOE Ofifces (SGL 231006)		23,942,994.97		18,612,383.41
Advances from Others - Suspense (SGL 231093)		0.00		0.00
Contract Holdbacks (SGL 2130) (amounts held back from contractors pending completion)		4,712.91		129,391.34
Unearned Advances from Customers (SGL 2320) (payments received in advance of completion of service)		0.00		0.00
TOTAL LIABILITIES		$43,203,458.21		$31,262,798.26
NET POSITION				
Invested Capital (SGL 3100, 310709, 3310) (initial PPE and uncosted balances transferred in)	35,465,928.10		29,562,824.38	
Total Invested Capital		35,465,928.10		29,562,824.38
Cumulative Results of Operations (difference between rev. and exp. over time)	(451,666.82)		5,831,977.75	
Total Cumulative Results of Operations		(451,666.82)		5,831,977.75
TOTAL NET POSITION		$35,014,261.28		$35,394,802.13
TOTAL LIABILITIES AND NET POSITION		$78,217,719.49		$66,657,600.39